

9-104A040

HOGAN & HARTSON

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

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15286 April 14, 1989
RECORDATION NO. FILED 1425

APR 14 1989 -240 PM

VIA COURIER INTERSTATE COMMERCE COMMISSION

Ms. Noretta McGee
Secretary
Interstate Commerce Commission
12th Street & Constitution Avenue, N.W.
Washington, D.C. 20423

Dear Ms. McGee:

I have enclosed four original copies of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The first document is a Security Agreement, a primary document, dated as of April 12, 1989. The names and addresses of the parties to the Security Agreement are as follows:

Debtor:	PLM Income Advantage Fund 655 Montgomery Street San Francisco, California 94111 Attn: J. Herbert Gaul
Secured Party:	Bergen Bank A/S, as Agent for itself and certain other banks Kirkegaten 23 0153 Oslo 1 Norway

A description of the railroad equipment covered by such Security Agreement is set forth in Exhibit A to the Security Agreement.

The second document is a Loan Agreement, a primary document, dated as of April 12, 1989. The names and addresses of the parties to the Loan Agreement are as follows:

APR 14 2 33 PM '89
MOTOR OPERATING UNIT

HOGAN & HARTSON

Ms. Noreta McGee
April 14, 1989
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Borrowers: PLM Income Advantage Fund
Dorothy M. Limited Partnership
Dorothy M., Inc.
First Security Bank of Utah, National
Association, not in its individual
capacity but solely as owner trustee under
the Trust Agreement dated as of February
24, 1988
PLM Financial Services, Inc.
655 Montgomery Street
San Francisco, California 94111
Attn: J. Herbert Gaul

Lender: Bergen Bank A/S, as Agent for itself and
certain other banks
Kirkegaten 23
0153 Oslo 1
Norway

A description of the railroad equipment covered by such Loan Agreement is set forth in Schedule 2 to the Loan Agreement.

A fee of \$ 13.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to Patrick M. Raher, Hogan & Hartson, 555 13th Street, N.W., Washington, D.C. 20004.

A short summary of the documents to appear in the index follows:

Security Agreement: Security Agreement dated as of April 12, 1989 between PLM Income Advantage Fund and Bergen Bank A/S as agent for certain banks named therein, with respect to certain railroad equipment described in Exhibit A thereto.

Loan Agreement: Loan Agreement dated as of April 12, 1989 among PLM Income Advantage Fund, Dorothy M. Limited Partnership, Dorothy M., Inc., First Security Bank of Utah, National, Association, not in its individual capacity but solely as owner trustee under the Trust Agreement dated as of February 24, 1988, PLM Financial Services, Inc. and Bergen Bank A/S as agent for certain banks named therein, with respect to certain railroad equipment described in Schedule 2 thereto.

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Ms. Noreta McGee
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Please call me at 202/637-5682 with any questions which
you may have concerning the above.

Yours truly,

A handwritten signature in cursive script, reading "Patrick M. Raher". The signature is written in dark ink and is positioned above the printed name.

Patrick M. Raher

9-107A037

16286

RECORDATION NO. _____ FILED 1628

APR 14 1989 -2:40 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of April 12, 1989

BETWEEN

PLM INCOME ADVANTAGE FUND,
(a California Limited Partnership)

DEBTOR

AND

BERGEN BANK A/S, SECURED PARTY

APR 14 1989
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EXHIBIT A	Description of Equipment
EXHIBIT B	Form of Consent to Assignment

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement") dated as of April 12, 1989, between PLM INCOME ADVANTAGE FUND, a California limited partnership (the "Debtor") and BERGEN BANK A/S, a banking organization operating under the laws of Norway, as agent for itself and the other Banks (the "Banks") listed on Schedule 1 to the Loan Agreement (as defined below) (the "Secured Party").

W I T N E S S E T H:

WHEREAS, the Debtor has purchased 450 railroad cars, which cars are more fully described in Exhibit A hereto (such cars, hereinafter called individually, an "Item of Equipment" and collectively, the "Equipment");

WHEREAS, the Equipment is currently leased to the Detroit Edison Co. (the "Lessee") pursuant to a lease, dated as of May 14, 1975, as amended (the "Lease").

WHEREAS, the Debtor proposes to refinance all of the purchase price of the Equipment by entering into a Loan Agreement (the "Loan Agreement") of even date herewith between the Debtor, Dorothy M., Limited Partnership ("DMLP"), First Security Bank of Utah, National Association, not in its individual capacity but solely as Owner Trustee pursuant to a certain Trust Agreement, dated as of February 24, 1988, as amended (collectively, the "Borrowers"), PLM Financial Services, Inc., the general partner of the Debtor, Dorothy M. Inc., the general partner of DMLP, and the Secured Party, pursuant to which the Secured Party will make a loan ("the Loan") to the Borrowers, and to secure its obligations under the Loan Agreement by a grant hereunder to the Secured Party of a security interest in the Equipment and the Lease with respect to the Equipment;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants contained herein, the parties hereto agree as follows:

Section 1. DEFINITIONS.

Unless the context otherwise requires, for all purposes of this Agreement the following terms shall have the following meanings (such definitions to be equally applicable to both the singular and plural forms of the terms defined):

"Basic Rent" shall mean quarterly rental as provided for in Paragraph 4 of Supplement No. 2, dated as of January 30, 1976, to the Lease.

"Bill of Sale" shall mean the Bill of Sale from the seller of each Item of Equipment to the Debtor evidencing the transfer of title thereto to the Debtor.

"Business Day" shall have the meaning specified in Section 8.1 hereof.

"Collateral" shall have the meaning specified in Section 3 hereof.

"Consent" shall mean the Consent to Assignment signed by the Lessee, substantially in the form of Exhibit B annexed hereto.

"Equipment" shall have the meaning specified in the Recitals hereof.

"Event of Default" shall have the meaning specified in Section 6.1 hereof.

"Item of Equipment" shall have the meaning specified in the Recitals hereof.

"Lease" shall mean the Lease Agreement dated as of May 14, 1975 between the Debtor and the Lessee, as amended by (i) Supplement No. 1, dated as of May 14, 1975, (ii) Supplement No. 2, dated as of January 30, 1976, (iii) Amendment to Supplement No. 2, dated as of January 30, 1976, (iv) Assignment and Assumption Agreement, dated as of September 28, 1988 and (v) Assignment and Assumption of Lease Agreement, dated as of December 30, 1988.

"Lease Event of Default" shall mean an event of default as defined and set forth in Paragraph X of the Lease.

"Lessee" shall mean Detroit Edison Co., a Michigan corporation, as lessee under the Lease.

Capitalized terms used but not defined herein are used as defined in the Lease or Loan Agreement, as the case may be.

Section 2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE DEBTOR.

The Debtor represents, warrants and covenants that

(a) The Debtor is a limited partnership duly organized, validly existing and in good standing under the laws of the State of California and is duly licensed or

**The Lease Agreement and Supplement No. 1 were each recorded by the Interstate Commerce Commission (the "ICC") on May 20, 1975 and the Lease Agreement was assigned recordation number 7928 and Supplement No. 1 was assigned recordation number 7928A; Supplement No. 2 was recorded by the ICC on February 3, 1976 and was assigned recordation number 7928B; Amendment to Supplement No. 2 was recorded by the ICC on February 10, 1976 and was assigned recordation number 7928C; and the Assignment and Assumption Agreement dated as of September 28, 1988 was recorded by the ICC on September 28, 1988 and assigned recordation number 7928D.

qualified to do business as a foreign limited partnership in good standing in each jurisdiction in which such qualification is required.

(b) The Debtor has full power and authority to execute, deliver and perform this Agreement.

(c) This Agreement and the Lease have each been duly authorized, executed and delivered by the Debtor and constitute the legal, valid and binding obligations of the Debtor enforceable against it in accordance with the terms thereof, except to the extent that enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally and except to the extent that enforcement is subject to general principles of equity (including but not limited to all matters of public policy) regardless of whether such enforceability is considered in a proceeding in equity or at law.

(d) No authorization, consent or approval of any governmental authority is required for the execution, delivery or performance by the Debtor of this Agreement.

(e) Neither the execution, delivery or performance by the Debtor of this Agreement, nor compliance with the terms and provisions thereof, conflicts or will conflict with or will result in a breach or violation of any of the conditions or provisions of any law, governmental rule or regulation or the partnership agreement, as amended, or partnership certificate, as amended, of the Debtor, or any order, writ, injunction or decree of any court or governmental authority against the Debtor or by which it or any of its properties is bound, or of any indenture, mortgage or contract or other agreement or instrument to which the Debtor is a party or by which it or any of its properties is bound, or constitutes or will constitute a default thereunder or will result in the imposition of any lien upon any of its properties except for the security interest granted herein.

(f) The Debtor hereby warrants and represents that it has not assigned or pledged the Equipment and the Lease except for the Assignments to Irving Trust Company, which assignments shall be discharged upon the funding of the Loan, and hereby covenants that it will not assign or pledge, so long as the assignment hereunder shall remain in effect, any of its right, title or interest hereby assigned, to anyone other than the Secured Party, and that it will not with respect to the Equipment, so long as the assignment hereunder shall remain in effect, except as provided in this

Agreement, accept any payment from the Lessee with respect to the Equipment, enter into any agreement amending or supplementing the Lease as it relates to the Equipment, execute any waiver or modification of, or consent under, the terms of the Lease, settle or compromise any claim against the Lessee arising under the Lease in respect of the Equipment, or submit or consent to the submission of any dispute, difference or other matter arising under or in respect of the Lease as it relates to the Equipment to arbitration thereunder without the prior written consent of the Secured Party thereto.

(g) There are no actual, pending or, to the knowledge of any representative of the Debtor, threatened legal actions, arbitrations, or other proceedings involving the Debtor which might have an adverse effect on the validity or enforceability of this Agreement.

(h) The Debtor hereby ratifies and confirms the Lease and hereby agrees that it will not take or omit to take any action, the taking or omission of which might result in an alteration or impairment of the Lease as it relates to the Equipment, or of any of the related rights created by the Lease, or the assignment hereunder.

(i) The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth herein, in the Loan Agreement, in the Lease as it relates to the Equipment, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns to the same extent as through each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Lease were fully set out in an amendment or supplement to this Agreement.

(j) The Debtor has good and marketable title to the Collateral, free and clear of all liens (other than by, through or under the Lease, the security interest in favor of Irving Trust Company referred to in Section 2(f) above and the security interest granted herein); and the Debtor will warrant and defend the title to the Collateral against all claims and demands of all persons whatsoever except persons claiming by, through or under the Lessee or the Secured Party. The Debtor agrees to pay or discharge, at its own cost and expense, any and all claims, liens or charges (other than those arising by, through or under the Lessee or

the Secured Party) on or with respect to the Collateral. The Debtor further agrees to indemnify and hold harmless the Secured Party from and against any direct loss, costs or expenses (including legal fees and expenses) incurred, in each case, as a result of the imposition or enforcement of any such claim, lien, or charge. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file at the Interstate Commerce Commission or in any other public office covering any of the Collateral excepting the financing statements filed in respect of the Irving Trust Company security interest referred to above and the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

(k) The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver every and all further acts, deeds, conveyances, transfers and assurances (a) for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired and (b) as the Secured Party may consider necessary or desirable for giving full effect to this Agreement or for securing the rights of the Secured Party hereunder. Without limiting the foregoing but in furtherance of the security interest herein granted in the revenues and other sums due and to become due under the Lease, the Debtor covenants and agrees that it will cause the Lessee to be notified of and to consent to such assignment pursuant to the Consent and direct the Lessee, upon written notice by the Secured Party, to make all payments of such revenues and other sums due and to become due under the Lease, as the Secured Party may direct.

(l) The Debtor will not, without the prior written consent of the Secured Party:

- (i) declare a default or exercise the remedies of the Debtor under, or terminate or modify or accept a surrender of, or offer or agree to, any termination or modification or surrender of, or take or omit to take any action which might result in an alteration or impairment of, the Lease or by affirmative act consent to the creation or existence of any security interest or other lien to secure payment of indebtedness upon the rights created by the Lease or any part thereof; or

- (ii) receive or collect or permit the receipt or collection of any payment of Basic Rent with respect to the Equipment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder) any such Basic Rent then due or to accrue in the future under the Lease in respect of the Equipment; or
- (iii) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

(m) The Debtor hereby constitutes the Secured Party and its successors and assigns, the true and lawful attorney of the Debtor, irrevocably and with full power of substitution for and in the name, place and stead of the Debtor or otherwise, to demand, collect, receive, receipt for, sue for, compound and compromise and give acquittance for, any and all rents, income, profits, moneys and claims for sums which are assigned under Sections 3.1, 3.2, 3.3 and 3.4 hereof, to endorse any checks or other instruments or orders in connection therewith, to make all waivers and agreements and to file any claims (including without limitation any proof of claim in any bankruptcy proceeding commenced by or against the Lessee) or take any actions or institute any proceedings with respect thereto which the Secured Party may deem necessary or advisable in its sole and complete discretion. Anything herein contained to the contrary notwithstanding, neither the Secured Party nor its successors or assigns shall have any obligation or liability by reason of or arising out of this Agreement to make any inquiry as to the nature or sufficiency of, to present or file any claim with respect to, or to take any action to collect or enforce the payment of, any amounts to which it may be entitled at any time by virtue of this Agreement. Upon written request from the Debtor, such request to be made no more frequently than once a month, the Secured Party shall account to the Debtor for any and all rents, income, moneys and claims for sums received by the Secured Party pursuant to the grant of security herein.

(n) The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease or an event which, but for the lapse of time or the giving of notice or both, would be an Event of Default

if the Debtor has actual knowledge of such event or condition.

(o) Each Item of Equipment shall meet all safety and other standards set forth in all Federal Railroad Administration and Association of American Railroads requirements.

(p) The Debtor will furnish the Secured Party promptly upon receipt thereof, duplicates or copies of all reports, notices, requests, demands, certificates, financial statements and other instruments furnished to the Debtor under the Lease, but to the extent the same relate to equipment leased thereunder only such documents and instruments that relate to the Equipment.

(q) The Debtor will cause (i) the Consent to be signed by the Lessee and (ii) the Lease, this Agreement and the Consent to be duly filed and recorded contemporaneously herewith in conformity with 49 U.S.C. Section 11303 of the Interstate Commerce Act and in such other places within the United States as may be reasonably requested by the Secured Party as necessary for the protection of the title of the Debtor to, or the security interest of the Secured Party in, the Equipment.

(r) The Debtor shall furnish to the Secured Party such evidence of the Debtor's compliance with Section 2(q) hereof, including, without limitation, certificate of Officers of the Lessee, the Debtor, public officials and others, and legal opinions, as the Secured Party may reasonably require to establish to its satisfaction the fulfillment of such compliance.

Section 3. GRANT OF SECURITY.

The Debtor, in order to secure the prompt payment of the principal of, premium (if any) and interest on the Loan, and to secure the payment of all other indebtedness of the Debtor to the Agent pursuant to the Loan Agreement, the Secured Promissory Note and the other Security Documents and the performance and observance of all covenants and conditions herein and in the Loan Agreement, and for the benefit of the Secured Party and the Banks, does hereby convey, warrant, mortgage, pledge, assign and grant to the Secured Party, its successors and assigns, for the security and benefit of the Secured Party, a first priority security interest in all of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 3.1, 3.2, 3.3 and 3.4 hereof, whether now owned or hereafter acquired, and all proceeds

thereof, (all of which properties, rights, interests and privileges hereby mortgaged, assigned and pledged, or intended so to be, are hereinafter collectively referred to as the "Collateral").

3.1 Equipment Collateral. Collateral includes the Equipment identified in Exhibit A attached hereto and made a part hereof and in any amendments or additions to such exhibit hereafter attached hereto and filed herewith together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of, and additions, improvements, accessions and accumulations to, or proceeds of any and all of said Equipment, together with all the rents, issues, income, profits, avails and other proceeds (including insurance proceeds) therefrom.

3.2 Lease Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Lease relating to the Equipment, including any extensions of the term of the Lease relating to any of the Equipment with respect to the Equipment identified in Exhibit A attached hereto, together with all rights, powers, privileges, options and other benefits of the Debtor under the said Lease, including, without limitation:

(1) the immediate and continuing right to receive and collect all Basic Rent and loss value payments, insurance proceeds, condemnation awards and other payments, proceeds, tenders and security now or hereafter payable to or receivable by the Debtor under said Lease or pursuant thereto relating to the Equipment, together with the immediate and continuing right to receive and collect same;

(2) the right to make all consents, waivers and agreements and to enter into any amendments relating to the Lease as such relate to the Equipment or any provision thereof; provided, however, that the Secured Party shall be under no obligation to take such actions; and

(3) the right to take such action upon the occurrence of an Event of Default under said Lease or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under said Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or its successors and assigns is or may be entitled to do under the Lease;

it being the intent and purpose hereof that the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive Basic Rent and loss value payments, insurance proceeds, condemnation awards and other payments with respect to the Equipment for application in accordance with the provisions of Sections 5 and 6 hereof at all times during the period from and after the date of this Agreement until the indebtedness hereby secured has been fully paid and discharged.

It is expressly agreed that anything herein contained to the contrary notwithstanding, the Debtor shall remain liable under the Lease to perform all of the obligations assumed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof, and the Secured Party shall have no obligation or liability under the Lease by reason of or arising out of the assignment hereunder, nor shall the Secured Party be required or obligated in any manner to perform or fulfill any obligations of the Debtor under or pursuant to the Lease or, except as herein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

3.3 Bank Account Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under that certain bank account maintained by the Debtor at Security Pacific National Bank, Los Angeles, California, ABA #122000043, PLM Income Advantage, Account No. 512-827335. Collateral also includes, without limitation, all funds in such bank account from time to time, whether now owned or hereafter acquired, all interest earned by funds in such account, and all other proceeds of such account.

3.4 Purchase Price Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in the Purchase Price, as defined in the Repurchase Guaranty ("Repurchase Guaranty"), dated as of April 12, 1989, by PLM International Inc. in favor of the Banks, and any moneys received by Debtor under the Repurchase Guaranty.

Section 4. POSSESSION, USE AND RELEASE OF PROPERTY.

4.1 Possession of Collateral. So long as no Event of Default, or event which with time or notice or both would constitute an Event of Default, has occurred and is continuing,

the Debtor shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of the Loan Agreement, the Secured Promissory Note, this Agreement, the other Security Documents and the Lease. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 4.1.

4.2 Release of Property. So long as no Event of Default, or event which with time or notice or both would constitute an Event of Default, has occurred and is continuing, the Secured Party shall execute a release in respect of any Item of Equipment withdrawn, lost or destroyed as referred to in Paragraph VIII of the Lease upon receipt from the Lessee of written notice designating the Item of Equipment in respect of which the Lease will terminate and receipt by the Secured Party of the Loan Value with respect thereto, or upon receipt by the Secured Party of evidence that any withdrawn Item of Equipment has been substituted in accordance with the terms of Paragraph VIII of the Lease. After payment in full of all the indebtedness hereby secured, the Secured Party shall, upon the written request of the Debtor, execute and deliver to, or as directed in writing by, the Debtor, such instruments (in due form for filing and recording) as may be reasonably requested and furnished by the Debtor, releasing the Equipment from, and terminating and discharging, this Agreement and the security interests created hereby or pursuant hereto.

4.3 Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

Section 5. APPLICATION OF CERTAIN MONEYS RECEIVED BY THE SECURED PARTY.

5.1 Application of Casualty Payments. So long as no Event of Default or event which, but for the lapse of time or the giving of notice or both would constitute an Event of Default shall have occurred and be continuing, the amounts from time to time received by the Secured Party pursuant to the Lease in respect of the Equipment under circumstances which constitute

payment for a Total Loss with respect to any Item of Equipment shall be paid and applied as set forth in Clause 4.02 of the Loan Agreement.

5.2 Default. If an Event of Default, or event which, but for the lapse of time or the giving of notice or both, would constitute such an Event of Default, shall have occurred and be continuing, all amounts received by the Secured Party shall be held until (i) such event or condition has been cured or (ii) such amounts are applied in the manner provided for in Section 6.6 hereof.

Section 6. DEFAULTS AND OTHER PROVISIONS.

6.1 Events of Default. The term Event of Default shall mean one or more of the following events (whatever the reason for such Event of Default and whether such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Any Event of Default under the Loan Agreement;

(b) A Lease Event of Default shall have occurred and be continuing unless the Debtor shall have cured or shall have caused the cure of such Lease Event of Default and the corresponding Event of Default hereunder within the expiration of the applicable grace period; provided, however, that if more than twelve Lease Events of Default in total or if more than six consecutive Lease Events of Default shall have occurred resulting from failure to make any payment of Basic Rent in respect of the Equipment, any such Lease Event of Default shall be an Event of Default hereunder whether or not the corresponding Event of Default thereunder is cured; or

(c) Any claim, lien or charge arising by, through or under the Debtor shall be asserted against or levied or imposed upon the Equipment or any Item of the Equipment.

6.2 Secured Party's Rights. If any Event of Default shall have occurred and be continuing, the Secured Party shall have the rights, options, duties and remedies (i) as set forth in Clause 8.01 of the Loan Agreement and (ii) of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of the State of New York (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted); and:

(a) At the request of the Secured Party, the Debtor shall promptly execute and deliver to the Secured Party such instruments of title and other documents as the Secured Party may deem necessary or advisable to enable the Secured Party or an agent or representative designated by the Secured Party, at such time or times and place or places as the Secured Party reasonably may specify, to obtain possession of all or any part of the Collateral to which the Secured Party shall at the time be entitled hereunder; if the Debtor shall for any reason fail to execute and deliver such instruments and documents after such request by the Secured Party, (i) the Secured Party may obtain a judgment conferring on the Secured Party the right to immediate possession and requiring the Debtor to execute and deliver such instruments and documents to the Secured Party, to the entry of which judgment the Debtor hereby specifically consents, and/or (ii) consistent with the Lessee's right of quiet enjoyment under the Lease the Secured Party personally or by agents or attorneys, shall have the right to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any premises, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the Collateral, or, to the extent permitted by law, use and operate or lease the Collateral until sold;

(b) Upon every such taking of possession, the Secured Party may, from time to time, at the expense of the Collateral, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Collateral, as it may deem proper, including the right to enter into any and all such agreements with respect to the maintenance, use, operation, storage, leasing, control, management or disposition of the Collateral or any part thereof as the Secured Party may determine; and the Secured Party shall be entitled to collect and receive directly all tolls, rents (including rental under the Lease in respect of the Equipment), revenues, issues, income, products and profits of the Collateral and every part thereof, except, without prejudice, however, to the right of the Secured Party under any provision of this Agreement to collect and receive all cash held by, or required to be deposited with the Secured Party hereunder;

(c) The Secured Party may, if at the time such action may be lawful (subject to compliance with any mandatory legal requirements), either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date of such sale, sell and dispose of said Collateral, or any part thereof, at public auction to the highest

bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale should be held in a commercially reasonable manner provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Debtor should tender full payment of the total unpaid balance of the Loan, together with interest thereon accrued and unpaid and all other payments due under the Loan Agreement as well as expenses of the Secured Party in retaking possession of, removing, storing, holding and preparing the Equipment for and otherwise arranging for the sale and the Secured Party's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Secured Party, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Debtor. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party, or of any interest therein, or the Debtor may bid and become the purchaser at any such sale;

(d) The Secured Party may proceed to protect and enforce this Agreement, the Loan Agreement and the Lease as it relates to the Equipment by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law;

(e) The Secured Party may proceed to exercise all rights, privileges and remedies available to the Debtor under the terms of the Lease including, without limitation, the right to terminate the Lease as it relates to the Equipment and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party; and

(f) The Debtor will pay all reasonable actual fees, costs and expenses, including attorneys fees incurred by the Secured Party in enforcing its rights and remedies under the terms of this Agreement.

6.3 Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or

decree of any court or otherwise in connection with the enforcement of any of the terms of this Agreement, the aggregate principal amount of the Loan, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable.

6.4 Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained or to a decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person all benefit and advantage of any such law or laws and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted; provided, however, that any such sale or sales shall be made in a commercially reasonable manner.

6.5 Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns.

6.6 Application of Sale Proceeds. The proceeds of any sale of the Collateral, or any part thereof, and the proceeds of any remedy hereunder and any other amounts received by the Secured Party pursuant to this Agreement after an Event of Default shall have occurred and be continuing shall be paid to and applied as set forth in Clause 10.07 of the Loan Agreement.

6.7 Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, and in

every such case, the Debtor and the Secured Party shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Agreement.

6.8 Cumulative Remedies. No delay or omission of the Secured Party to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. The Secured Party may exercise any one or more or all of the remedies hereunder and no remedy is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Agreement operate to prejudice, waive or affect the security of this Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

6.9 Indemnity. Except for the negligent or wilfull acts of the Secured Party, the Debtor agrees to protect, indemnify and hold the Secured Party, its successors and assigns, directors, officers, employees, servants and agents, harmless from and against any and all costs, expenses, causes of action, suits, damages, losses, penalties, claims, demands or judgments of any nature whatsoever which may be imposed on, incurred by or asserted against the Secured Party in any way relating to or arising or alleged to arise out of this Agreement or the Lease.

Section 7. TRANSFER OF DEBTOR'S INTEREST.

The Debtor agrees that it will not sell or otherwise transfer its interest in the Equipment or the Lease as it relates to the Equipment, or any part thereof, without the prior written consent of the Secured Party.

Section 8. MISCELLANEOUS.

8.1 Business Days. As used herein, the term "Business Day" means a day on which banks and financial markets are open for business in Oslo, New York City or San Francisco, California.

8.2 Successors and Assigns. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

8.3 Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

8.4 Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mails, certified first class, postage prepaid, addressed as follows:

If to the Debtor:

PLM Income Advantage Fund
655 Montgomery Street
San Francisco, California 94111

with a copy to:

PLM Financial Services, Inc.
655 Montgomery Street
San Francisco, California 94111

Attention: J. Herbert Gaul
Telex: 34430
Telecopy: (415) 433-9152

If to the Secured Party:

Bergen Bank A/S
Kirkegaten 23
0153 Oslo 1
Norway

Attention: Loan Administration
Telex: 400640
Telecopy: 47-2-336901

with a copy to:

Haight, Gardner, Poor and Havens
195 Broadway
New York, New York 10007

Attention: Thomas J. Whalen, Esq.
Telex: 177190 HGPH UT
Telecopy: (212) 385-9010

or to the Debtor or the Secured Party at such other address as the Debtor or the Secured Party may designate by notice duly given in accordance with this Section to the other party.

8.5 Governing Law. This Agreement and the Note shall be construed in accordance with and governed by the laws of the State of New York, without regard to principles of conflicts of laws; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. Sec. 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof, as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited; and provided, further, that the laws of the State of California shall apply to all security interests in deposit accounts, and proceeds thereof, located in the State of California.

8.6 Counterparts. This Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Agreement.

8.7 Table of Contents and Headings. The Table of Contents hereto and any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

8.8 Marking of Equipment. The Debtor will cause each Item of Equipment to be kept numbered and conspicuously marked indicating that ownership in the Item of Equipment is subject to a Security Agreement filed with the Interstate Commerce Commission. The Debtor will not permit the identifying number of any Item of Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor which previously shall have been filed by or on behalf of the Debtor in all public offices where this Agreement shall have been filed. Except as aforesaid, the Debtor will not allow the name of any person, association or corporation to be placed on any

Item of Equipment as a designation that might be interpreted as a claim of ownership or lien; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee.

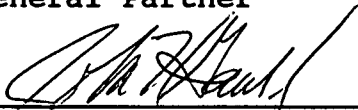
8.9 Submission to Jurisdiction. The Debtor hereby irrevocably submits to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County, of the United States of America, and to the jurisdiction of the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or the subject matter hereof brought by the Secured Party or its successors or assigns, and the Debtor hereby irrevocably agrees that all claims in respect of such action or proceeding may be that all claims in respect of such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by law, in such Federal court, and the Debtor hereby agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such courts. The Debtor hereby generally appoints as its attorney-in-fact, to receive service of process in such action, suit or proceeding CT Corporation System, 1633 Broadway, New York, New York 10019. The Debtor agrees that (without prejudice to any other lawful method of service) service of process upon such attorney-in-fact shall constitute valid service upon the Debtor or its successors or assigns.

8.10 WAIVER OF JURY TRIAL. BOTH DEBTOR AND THE SECURED PARTY HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER FUNDAMENTAL AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.


IN WITNESS WHEREOF, the Debtor and the Secured Party
have executed this Agreement as of the day and year first above
written.

PLM INCOME ADVANTAGE FUND
(A California Limited Partnership)

By: PLM Financial Services, Inc.,
General Partner

By: 
Authorized Officer

BERGEN BANK A/S

By 
Name:
Title: Asst. General Manager

STATE OF NEW YORK)
 : ss.:
COUNTY OF NEW YORK)

On this 12th day of April, 1989, before me personally appeared J. Herbert Gaul, Jr., to me personally known, who being by me duly sworn, says that he is the Vice President of PLM FINANCIAL SERVICES, INC., the General Partner of PLM INCOME ADVANTAGE FUND, that said instrument was signed on behalf of said limited partnership by authority of its General Partner; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said limited partnership.

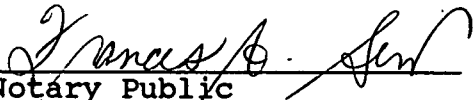


Notary Public

FRANCES A. SERRO
Notary Public, State of New York
No. 43-4684924
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Sept. 30, 1989

STATE OF NEW YORK)
 : ss.:
COUNTY OF NEW YORK)

On this 12th day of April, 1989, before me personally appeared Anders Hoegh, to me personally known, who being by me duly sworn, says that he is Assistant General Manager of BERGEN BANK A/S, that said instrument was signed on behalf of said bank by authority of its Audit Committee; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said bank.



Notary Public

FRANCES A. SERRO
Notary Public, State of New York
No. 43-4684924
Qualified in Richmond County
Certificate Filed in New York County
Commission Expires Sept. 30, 1989

EXHIBIT A

(to the Security Agreement)

DESCRIPTION OF EQUIPMENT

Description of Railcars:

450 Pullman - standard 53'1"
100 ton all steel high side
fixed end gondolas, 4,000
cubic foot capacity

Road Numbers:

All DEEX

6106-6113
6115-6134
6136-6137
6139-6149
6151-6153
6155-6162
6164-6199
6201-6219
6221-6254
6256-6268
6270
6272-6273

6430-6445
6447-6460
6462-6477
6479-6498
6500-6502
6504-6510
6512-6518
6520-6524

6527-6530

6276-6292
6294-6297
6299-6302

6533-6545

6305-6310
6312-6321
6323
6325-6340
6342-6358
6360-6366
6368-6374
6376-6393
6395-6403
6405-6427

6547-6554
6556-6560
6562-6565
6567-6574
6576-6582
6584-6593
8001-8007

EXHIBIT B

(to the Security Agreement)

FORM OF CONSENT TO ASSIGNMENT

THIS CONSENT TO ASSIGNMENT dated as of April 12, 1989 ("Consent") among PLM INCOME ADVANTAGE FUND, a California limited partnership ("Lessor"), BERGEN BANK A/S, a banking organization operating under the laws of Norway, as Agent for itself and the other Banks listed on Schedule I to the Loan Agreement (as defined below) ("Secured Party"), and DETROIT EDISON CO., a Michigan corporation ("Lessee").

W I T N E S S E T H:

A. Lessor and Lessee are parties to the Railcar Lease, pursuant to which Lessor has leased to Lessee the Railcars listed in Schedule A hereto (the "Railcars") in addition to other railcars.

B. Concurrently with the execution hereof, Lessor, Dorothy M., Limited Partnership ("DMLP"), First Security Bank of Utah, National Association, not in its individual capacity but solely as Owner Trustee pursuant to a certain Trust Agreement, dated as of February 24, 1988, as amended, PLM Financial Services, Inc., general partner of Lessor, Dorothy M. Inc., general partner of DMLP and the Secured Party are executing the Loan Agreement dated as of April 12, 1989 (the "Loan Agreement"), pursuant to which Lessor will borrow from the Secured Party a portion of the funds necessary to maintain its investment in the Railcars.

C. Concurrently with the execution hereof, Lessor and the Secured Party are executing the Security Agreement dated as of April 12, 1989 (the "Security Agreement"), pursuant to which Lessor will transfer to the Secured Party a security interest in the Railcars and assign to the Secured Party Lessor's rights and interests in and under the Lease with respect to the Railcars to secure Lessor's obligation to repay the funds borrowed from the Secured Party.

D. Lessee is willing to consent to such assignment of the Lease.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and intending to be legally bound, the parties hereto agree as follows:

1. Consent of Lessee to Assignment as Security to Agent. Lessee hereby acknowledges and consents to the assignment of the Lease with respect to the Railcars by Lessor to the Secured Party under and pursuant to the Security Agreement and agrees for the benefit of the Secured Party as follows:

(a) To continue to make each payment of rental or other sums due under the Lease with respect to the Railcars, including interest thereon for late payment thereof ("Rent") assigned thereby by paying to Security Pacific National Bank, Los Angeles, California, ABA # 122000043, PLM Income Advantage, Account No. 512-827335, so long as any amount owed under the Loan Agreement shall be outstanding and unpaid;

(b) That so long as any amount shall be outstanding and unpaid under the Loan Agreement, all rights of Lessor with respect to the Lease and the Railcars or any part thereof shall be exercisable by the Secured Party, as assignee and secured party or lienholder;

(c) At the request of the Secured Party, to execute and file any financing statements, continuation statements or other documents reasonably necessary to create, perfect, protect and preserve the priority security interest acquired, or intended to be acquired, by the Secured Party under the Security Agreement until all obligations of the Lessor under the Loan Agreement shall have been fulfilled;

(d) To execute and deliver such other documents as Lessor or the Secured Party may reasonably request;

(e) That any amendment to, or any waiver, discharge or termination of, any term or provision of the Lease with respect to the Railcars (or any consent of Lessor required thereunder) shall also require the written consent of the Secured Party;

(f) That Lessee will deliver to the Secured Party at Bergen Bank A/S, Kirkegaten 23, 0513 Oslo 1, Norway, Attention: Loan Administration, Telex 400640, Telecopy 47-2-336901, a copy of all notices required to be delivered to Lessor under the Lease concurrently with the delivery of such notices to Lessor;

(g) That the Secured Party shall be a named assured and designated as a loss payee with respect to any insurance carried by Lessee pursuant to Paragraph VII of the Lease;

(h) That the Lease with respect to the Railcars is in full force and effect; and

(i) Not to seek the recovery of any payment made to the Secured Party pursuant to the Security Agreement and this Consent once such payment has been made.

2. No Further Amendments. Except as expressly modified or amended herein, all of the terms, covenants and conditions of the Lease shall remain unamended and in full force and effect.

3. Governing Law. This Consent shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of laws.

4. Counterparts. This Consent may be executed in two or more counterparts, which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this
Consent to be duly executed as of the date first above written.

PLM INCOME ADVANTAGE FUND
(A California Limited Partnership)
By: PLM Financial Services, Inc.,
General Partner

By _____
Authorized Officer
Date:

BERGEN BANK A/S

By _____
Name:
Title:
Date:

DETROIT EDISON CO.

By _____
Name:
Title:
Date:

SCHEDULE A

(to the Consent)

DESCRIPTION OF EQUIPMENT

Description of Railcars: 450 Pullman - standard 53'1"
100 ton all steel high side
fixed end gondolas, 4,000
cubic foot capacity

Road Numbers: All DEEX

6106-6113	
6115-6134	
6136-6137	6430-6445
6139-6149	6447-6460
6151-6153	6462-6477
6155-6162	6479-6498
6164-6199	6500-6502
6201-6219	6504-6510
6221-6254	6512-6518
6256-6268	6520-6524
6270	
6272-6273	6527-6530
6276-6292	6533-6545
6294-6297	
6299-6302	6547-6554
	6556-6560
6305-6310	6562-6565
6312-6321	6567-6574
6323	6576-6582
6325-6340	6584-6593
6342-6358	8001-8007
6360-6366	
6368-6374	
6376-6393	
6395-6403	
6405-6427	

LOAN AGREEMENT

dated as of April 12, 1989

among

BERGEN BANK A/S, as Agent

and

THE BANKS Listed in Schedule 1, as Lenders

and

PLM Income Advantage Fund
(a California Limited Partnership)

and

Dorothy M., Limited Partnership
(a California Limited Partnership)

and

First Security Bank of Utah, National Association,
as Owner Trustee

and

Dorothy M., Inc.
as General Partner of Dorothy M.,
Limited Partnership

and

PLM Financial Services, Inc.,
as General Partner of PLM Income Advantage Fund

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EXHIBIT L	Opinion of Borrower's Counsel

THIS LOAN AGREEMENT dated as of the 12 day of April, 1989 is made by and between:

1. BERGEN BANK A/S as agent (the "Agent") of the Banks listed in Schedule 1,
2. THE BANKS listed in Schedule 1 (the "Banks"), as lenders,
3. PLM INCOME ADVANTAGE FUND (a California Limited Partnership) ("PLM"), as borrower,
4. Dorothy M. Limited Partnership (a California Limited Partnership) (the "Owner"), as borrower,
5. Dorothy M., Inc., as General Partner of the Owner (the "Owner's Partner"),
6. First Security Bank of Utah, National Association, not in its individual capacity except as expressly set forth herein but solely as trustee under that certain Trust Agreement dated as of February 24, 1988, as amended (the "Trust Agreement"), for the benefit of PLM as beneficiary of the trust estate (the "Trust Estate") (the "Owner Trustee" and collectively, joint and severally, with PLM and the Owner, the "Borrowers"), as borrower,
7. PLM FINANCIAL SERVICES, INC., as General Partner of PLM.

1. PURPOSE AND DEFINITIONS

1.01 This Agreement sets forth the terms and conditions upon which the Banks acting through Bergen Bank A/S as Agent will make available to the Borrowers, a secured floating interest rate loan of Thirty-Two million seven hundred thirty-seven thousand United States Dollars (\$32,737,000) for the following purposes:

(a) to assist the Borrowers in refinancing the following amounts with respect to a vessel, an aircraft, and certain railroad cars.

1. Vessel - \$ 9,185,000
2. Aircraft - 13,950,000
3. Railcars - 9,601,709

1.02 PLM will offer for sale \$29,000,000 of limited partnership interest. The Borrowers intend to use the proceeds from such sale to repay a portion of this loan. Thereafter, if PLM has sold the full \$29,000,000 of limited partnership interest, the Borrowers and the

Banks will enter into a long-term financing arrangement for a loan in the amount of \$14,230,000 to the Borrowers in terms and conditions to be agreed.

1.03

In this Agreement the following words and expressions have the following meanings:

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the term "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to vote fifteen percent (15%) or more of the securities having voting power for the election of directors of such Person, or otherwise to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Agent" means Bergen Bank A/S, a corporation incorporated under the laws of the Kingdom of Norway whose office is at Kirkegaten 23, 0153 Oslo 1, Norway, together with its successors and assigns as such Agent.

"Aircraft" means the Boeing 737-200 Advanced, bearing Manufacturer's Serial Number 22279, United States Registration No. N368DE, built in 1980 which is owned by the Trustee for the beneficial ownership of PLM and subject to an existing lease with Delta Air Lines, Inc.

"Aircraft Lease" means the Aircraft Lease Agreement dated as of May 31, 1985, between GPA Leasing (NA) N.V., a predecessor in interest to the Trustee, as Lessor, and Western Airlines, Inc., a predecessor in interest to Delta Air Lines, Inc., as Lessee, as amended by a First Amendment, dated as of September 2, 1987, to the Aircraft Lease Agreement, as amended by an Assignment and Consent to Assignment, dated as of March 3, 1988, and as amended by an Assignment and Assumption Agreement dated as of December 30, 1988, and any extensions, supplements, amendments or modifications thereto permitted by its terms thereof.

"Aircraft Lessee" means Delta Air Lines, Inc.

"Aircraft Mortgage and Lease Assignment" means the first aircraft mortgage and lease assignment executed by the Trustee in favor of the Banks covering the

Aircraft in substantially the form of Exhibit A hereto, duly executed, delivered and recorded, as the same may from time to time be supplemented or amended.

"Applicable Rate" means one and three eighths per centum (1 3/8%) per annum.

"Assignment of Insurance" means the assignment of insurance granted to the Banks by the Borrowers in substantially the form of Exhibit E hereto, duly executed and delivered, as the same may from time to time be supplemented or amended.

"Bank" means, respectively, any one of the banks or other financial institutions whose names and addresses are set forth in Schedule 1 or its successors and assigns in accordance with the terms of this Agreement (collectively, the "Banks").

"Breakage Cost" means any amount as any of the Banks shall deem necessary, in its sole discretion, to compensate such Bank for costs, losses, or expenses incurred by such Bank in connection with a payment of the Loan, in whole or in part, whether voluntarily or involuntarily, on a date which is not the Payment Date.

"Business Day" means a day on which banks and financial markets are open for business in Oslo, New York City or San Francisco, California.

"Charter" means the Time Charter, dated as of December 3, 1988, between the Owner and The East Asiatic Co., Ltd.

"Charter Assignment" means the assignment of all moneys payable under the Charter in substantially the form of Exhibit D hereto, duly executed and delivered, as the same may from time to time be supplemented or amended.

"Charterer" means The East Asiatic Co., Ltd.

"Closing Date" means the date on which the Loan is funded by the Bank in accordance with the terms of this Agreement.

"Contribution" means in relation to each Bank, the principal amount set forth next to the name of Bank in Schedule 1 which such Bank is obliged to contribute to the Loan pursuant to Clause 2.01.

"Dollars" and "\$" means the lawful currency for the time being of the United States of America.

"Earnings" means all monies whatsoever due or to become due to the Borrowers at any time during the Loan Period arising out of the use or operation of any of the Equipment including (but without prejudice to the generality of the foregoing) all freight, lease payments, hire and passage moneys, compensation payable to the Borrowers in the event of requisition of any of the Equipment for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of the Charter, Aircraft Lease or Railcar Lease or other contract of employment for a Piece of Equipment.

"Encumbrance" means any mortgage, assignment, transfer by way of security, charge (whether fixed or floating), pledge, lien, trust arrangement, title retention, security interest, hypothecation or other encumbrance securing or any right conferring a priority of payment in respect of any obligation of any person.

"Equipment", or "Piece of Equipment" means the Vessel, the Aircraft or one or more of the Railcars as the context may require.

"ERISA" means the United States Employee Retirement Income Security Act of 1974, as amended from time to time.

"Event of Default" means any one of the events listed in Clause 8.

"General Partner" means PLM Financial Services, Inc., a Delaware corporation.

"Insurances" means all policies and contracts of insurance (which expression includes all entries of the Vessels in Protection and Indemnity Associations or War Risks Associations), and where the context so admits, any reinsurance of such insurances, which are from time to time during the Loan Period taken out or entered into by the Borrowers in respect of the Equipment or otherwise howsoever in connection with the Equipment.

"Interest Period" shall mean the relevant period from the Closing Date to and including April 30, 1989, from May 1, 1989 through May 31, 1989, June 1, 1989 through June 30, 1989, from July 1, 1989 through the Payment Date.

"Loan" means the aggregate amount of all of the Contributions, being equal to Thirty-Two million seven hundred thirty-seven thousand Dollars (\$32,737,000).

"Loan Period" means the period from the Closing Date to the Payment Date unless the Borrowers shall fail to make full payment of principal, interest and all other amounts due hereunder in which case the Loan Period shall extend to the date upon which all of the outstanding indebtedness hereunder or under any Security Document has been paid in full.

"Majority Banks" means Banks, the aggregate of whose Contributions advanced and outstanding from time to time, exceeds sixty percentum (60%) of the Loan at any relevant time.

"Month" means a period beginning in one calendar month and ending in the next calendar month on the day numerically corresponding to the day of the calendar month on which it started provided that (i) if the period started on the last Business Day in a calendar month or if there is no such numerically corresponding day, it shall end on the last Business Day in such next calendar month and (ii) if such numerically corresponding day is not a Business Day, the period shall end on the next following Business Day in the same calendar month but if there is no such Business Day it shall end on the preceding Business Day, and "months" and "monthly" shall be construed accordingly.

"Multi-Employer Plan" means a "multi-employer plan" as defined in Section 4001(a)(3) of ERISA to which the General Partner or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding three plan years made or accrued an obligation to make contributions.

"Payment Date" means the date falling 100 days after the Closing Date.

"Person" means any individual, corporation, partnership, business trust, joint venture, association, joint stock company, trust or other unincorporated organization, whether or not a legal entity, or any government or agency or political subdivision thereof.

"Plan" means an employee benefit or other plan established or maintained by the General Partner or any ERISA Affiliate and which is covered by Title IV of ERISA, other than a Multi-Employer Plan.

"Railcar" means any one of the Railcars listed in Schedule 2 (collectively the "Railcars").

"Railcar Lease" means the Lease Agreement dated as of May 14, 1975 between the predecessor in interest to PLM and the Railcar Lessee, as amended by (i) Supplement No. 1, dated as of May 14, 1975, (ii) Supplement No. 2, dated as of January 30, 1976, (iii) Amendment to Supplement No. 2, dated as of January 30, 1976, (iv) Assignment and Assumption Agreement, dated as of September 28, 1988 and (v) Assignment and Assumption of Lease Agreement, dated as of December 30, 1988.

"Railcar Lessee" means Detroit Edison Co.

"Railcar Mortgage" means the security agreement and lease assignment in favor of the Banks covering the Railcars substantially in the form of Exhibit C annexed hereto, duly executed, delivered and recorded, as the same may from time to time be supplemented or amended.

"Repurchase Guarantor" means PLM International Inc., a Delaware corporation.

"Repurchase Guaranty" means the Repurchase Guaranty which shall be delivered by PLM International Inc. to the Banks on the Closing Date substantially in the form set forth in Exhibit F annexed hereto.

"Security Documents" means (a) the Aircraft Mortgage and Lease Assignment, the Ship Mortgage, the Railcar Mortgage, the Charter Assignment, the Repurchase Guaranty, the Assignment of Insurance and (b) any other agreement or security providing for security for all or any part of the Loan or any other sum outstanding under this Agreement, in each case as shall be executed and delivered by the respective party thereto pursuant to the terms of this Agreement or any of the Security Documents.

"Ship Mortgage" means the Statutory Mortgage and Deed of Covenants executed by the Owner in favor of the Banks covering the Vessel in substantially the form of Exhibit B hereto, duly executed, delivered and recorded, as the same may from time to time be supplemented or amended.

"Solvent" means with respect to any Person on a particular date, that on such date (i) the fair market value of the assets of such Person is greater than the total

amount of liabilities (including contingent liabilities) of such Person, (ii) the present fair salable value of the assets of such Person is greater than the amount that will be required to pay the probable liabilities of such Person for its debts as they become absolute and matured, (iii) such Person is able to realize upon its assets and pay its debts and other liabilities, including contingent obligations, as they mature and (iv) such Person does not have unreasonably small capital.

"Stipulated Loss Value" means the amount set forth for each Piece of Equipment on Schedule 3 hereto that shall be repaid to the Banks in accordance with the provisions of Clause 4.02.

"Taxes" includes any present or future taxes, levies, duties, imposts, charges, fees, deductions or withholdings of any nature (and "tax" and "taxation" shall be construed accordingly).

"Total Loss" means in respect of any Piece of Equipment (i) actual or constructive or compromised or arranged total loss of such Piece of Equipment; or (ii) requisition for title or other compulsory acquisition of such Piece of Equipment otherwise than by requisition for hire; or (iii) capture, seizure, arrest, detention or confiscation of a Piece of Equipment by any government or by persons acting or purporting to act on behalf of any government unless the Piece of Equipment be released from such capture, seizure, arrest, detention or confiscation within one month of the occurrence thereof. A Total Loss shall be deemed to have occurred (a) in the event of an actual total loss of a Piece of Equipment, on the date of such loss, (b) in the event of damage to a Piece of Equipment which results in a constructive or compromised or arranged total loss of a Piece of Equipment, on the date of the occurrence of the event giving rise to such damage, or (c) in the case of any event referred to in Clause (iii) above, on the date of the occurrence of such capture, seizure, arrest, detention or confiscation.

"Vessel" means the Bahamian Flag bulk carrier DOROTHY M., Official No. 399774 built in 1976 which is owned by the Owner and on charter to The East Asiatic Co., Ltd.

1.04 In this Agreement clause headings are inserted for convenience only and shall not affect the construction of

this Agreement and unless the context otherwise requires, words denoting the singular number shall include the plural and vice versa. References to persons include references to bodies corporate and unincorporate.

- 1.05 The Loan shall be evidenced by a joint and several Secured Promissory Note from the Borrowers to the Banks in the principal amount of \$32,737,000 in the form annexed hereto as Exhibit G and shall be repayable as hereinafter set forth.

2. CLOSING DATE, DRAWDOWN, AND USE OF PROCEEDS

- 2.01 Subject to the terms of this Agreement, and in reliance (inter alia) on the representations and warranties of the Borrowers, the Owner's Partner and the General Partner set out in Clause 6 and as set out in the Security Documents, on the Closing Date each Bank agrees severally to make available to the Borrowers its Contributions in an amount equal to the amount set forth opposite such Bank's name in Schedule 1. Neither the Agent nor any other Bank shall have any liability with respect to the failure of any Bank to perform its obligations hereunder nor shall such failure relieve the Borrowers or any of the remaining Banks of their obligations hereunder.
- 2.02 The Agent shall be entitled to assume that each Bank has, in relation to the Loan, paid the amount of its Contribution thereof to the Agent on or prior to the Closing Date unless any Bank notifies the Agent prior to such date that it does not intend to make its Contribution (or any part thereof) of the Loan. If the Agent makes payment available to the Borrowers on the assumption that a Bank has paid to the Agent the amount of its Contribution of the Loan and it proves to be the case that such Bank has not in fact paid to the Agent such amount, the Agent shall be entitled to require such Bank to pay such amount to it on demand together with such further sums as the Agent may certify to be necessary to reimburse it for costs and expenses in funding any such amount.
- 2.03 The Borrowers covenant to apply forthwith all of the proceeds of the Loan to refinance the Aircraft, the Vessel and the Railcars. Proceeds may not be used for any other purpose without the prior written consent of the Banks.

3. INTEREST

3.01 The Borrowers agree to pay interest on the Loan. Such interest shall be paid in arrears on the last Business Day of each Interest Period, upon prepayment of the Loan under Clause 4.02 and Clause 4.03 and on the Payment Date (each such date an "Interest Payment Date"). Save as otherwise provided herein, such interest shall accrue from and including the Closing Date, at the rate per annum certified by the Agent to be the aggregate of (a) the Applicable Rate and (b) the rate determined by the Agent to be the rate at which the Agent is offering lendings in Dollars in an amount approximately equal to the principal amount of the Loan in the London Interbank Dollar Market at or about 11:00 a.m. (London time) on the second Business Day prior to the Closing Date and for delivery on the Closing Date for the first Interest Period, and thereafter, with respect to each successive Interest Period, the rate per annum certified by the Agent to be the aggregate of (a) the Applicable Rate and (b) the rate determined by the Agent to be the rate at which the Agent is offering lendings in Dollars in an amount approximately equal to the principal amount of the Loan in the London Interbank Dollar Market at or about 11:00 a.m. (London time) on the second Business Day prior to the beginning of the applicable Interest Period for periods comparable to such Interest Period.

3.02 In the event that the Agent does not receive on an Interest Payment Date or the Payment Date any sum due under this Agreement in accordance with the provisions of Clause 10.01 or any of the Security Documents in accordance with the terms thereof, the Borrowers shall pay to the Banks on demand interest on such sum from and including the relevant Interest Payment Date to the date of actual payment (as well after as before judgment) at the rate per annum determined by the Agent to be the aggregate of (a) three percent (3%) and (b) the rate offered by the Agent as set forth in Section 3.01(b) for such term as the Agent shall select on the Business Day immediately following such Interest Payment Date or the Payment Date, as the case may be.

The Agent shall notify the Borrowers and the Banks of the rate of interest as determined by the Agent pursuant to this Clause 3.02 as the Borrowers or the Banks may request.

- 3.03 The determination of the Agent, as to any matters referred to in this Clause 3 shall, save for manifest error, be conclusive and binding on the Borrowers.

4. REPAYMENT AND PREPAYMENT

- 4.01 Save as otherwise provided herein, the Borrowers will repay the Loan to the Agent on behalf of the Banks on the Payment Date by paying the entire principal amount of the Loan of US\$32,737,000 and interest thereon as determined in accordance with Clause 3.01, together with all other remaining indebtedness due hereunder or under any Security Document.
- 4.02 Notwithstanding the terms of Clause 4.01 above, in the event any Piece of Equipment becomes a Total Loss, the Borrowers shall prepay the Loan, in an amount equal to the Stipulated Loss Value for each Piece of Equipment which has become a Total Loss together with (i) accrued interest at the rate set forth in Clause 3.01 on the amount prepaid to the date of prepayment, (ii) Breakage Costs and (iii) any other amount owed hereunder or under any Security Document respecting such Piece of Equipment, on such date as the Borrowers (or the Agent as assignee thereof) receive any relevant insurance proceeds (or such later date as may be agreed between the Borrowers and the Agent in writing) if such receipt of relevant insurance proceeds occurs before the Payment Date.

The Agent shall apply any insurance proceeds received directly by it under this Clause 4.02 to prepayment of the Loan on the date of prepayment. All costs and expenses (including attorneys' fees) associated with such loss incurred by the Agent or the Banks shall be paid on demand by the Borrowers.

- 4.03 Notwithstanding the terms of Clause 4.01 above the Borrowers shall have the option of prepaying all or a portion of the outstanding principal balance on an Interest Payment Date. Any such prepayment shall not be in an amount less than \$5,000,000 (the "Minimum Prepayment"). Should Borrowers desire to make a prepayment on an Interest Payment Date in an amount in excess of the Minimum Prepayment, such additional prepayment must be made in increments of \$1,000,000.

Should the Borrowers desire to make a prepayment of principal on a date other than an Interest Payment Date, Borrowers may do so, provided, however, that such

prepayment is in an amount at least equal to the Minimum Prepayment and if greater than the Minimum Prepayment in increments of \$1,000,000 and that the Borrowers pay an additional amount to the Banks equal to (i) accrued interest at the rate set forth in Clause 3.01 for the amount prepaid to the date of prepayment and (ii) Breakage Costs.

5. CONDITIONS PRECEDENT

- 5.01 The Banks shall not be under any obligation to make their respective Contributions to the Loan hereunder, until the Agent on behalf of the Banks has received, and found to be satisfactory to it in all respects, each of the following:
- (a) a certified copy of the Articles of Incorporation and By-Laws of the General Partner, certified resolutions of the Board of Directors of the General Partner authorizing the General Partner to act on behalf of PLM in respect of the transaction contemplated herein and a current Certificate of Good Standing for the General Partner issued by the Delaware Secretary of State;
 - (b) a certified copy of the Articles of Incorporation and By-Laws of the Repurchase Guarantor, certified resolutions of the Board of Directors of the Repurchase Guarantor authorizing the Repurchase Guarantor to issue the Repurchase Guaranty, a certification as to the incumbency and signature of the individual or officers signing on behalf of the Repurchase Guarantor and a current Certificate of Good Standing for the Repurchase Guarantor issued by the Delaware Secretary of State;
 - (c) a certified copy of the Articles of Incorporation and By-Laws of the Owner's Partner, certified resolutions of the Board of Directors of the Owner's Partner authorizing the Owner's Partner to act on behalf of the Owner in respect of the transaction contemplated herein and a current Certificate of Good Standing for the Owner's Partner issued by the California Secretary of State;
 - (d) a certified copy of the Certificate of Limited Partnership and Partnership Agreement of the Owner together with all amendments thereto issued by the California Secretary of State;

- (e) a certified copy of the Certificate of Limited Partnership and the Partnership Agreement of PLM together with all amendments thereto issued by the California Secretary of State;
- (f) copies of all documents evidencing partnership action taken by PLM relative to this Agreement and the Security Documents;
- (g) copies of all documents evidencing partnership action taken by the Owner relative to this Agreement and the Security Documents;
- (h) a certificate, dated the Closing Date and signed by the Secretary of the General Partner, certifying to the Agent the signature of the officer or officers of the General Partner authorized to sign the Secured Promissory Note to be issued hereunder, together with the true signature of such officer or officers, and that the Agent may rely on such certificate;
- (i) a certificate, dated the Closing Date and signed by the Secretary of the Owner's Partner, certifying to the Agent the signature of the officer or officers of the Owner's Partner authorized to sign the Secured Promissory Note to be issued hereunder, together with the true signature of such officer or officers, and that the Agent may rely on such certificate;
- (j) a certificate, dated the Closing Date and signed by the Assistant Secretary of the Owner Trustee certifying as true and correct, copies of Owner Trustee's Articles of Association, By-Laws and the Trust Agreement; Resolutions Relating to the Exercise of Fiduciary Powers; Resolutions Relating to Designation of Officers and Employees of Trust Group as Authorized Signatories attached thereto;
- (k) certified copies of all governmental and other consents, licenses, approvals and authorizations required with respect to this Agreement and the Security Documents;
- (l) the written opinion of Haight, Gardner, Poor & Havens in such form as the Agent shall specify;

- (m) evidence that the person specified in Clause 15.09 has agreed to act as agent for service of process for the Borrowers;
- (n) this Agreement duly executed and delivered;
- (o) the Secured Promissory Note duly executed and delivered;
- (p) the Security Documents duly executed and delivered;
- (q) the opinions of William C. Boston & Associates, Hogan & Hartson, Graham Thompson & Co., and counsel to the Owner Trustee, special counsel to the Borrowers concerning the Aircraft, Railcars, Vessel and Owner Trustee, respectively substantially in the form annexed hereto as Exhibits H, I, J and K respectively;
- (r) the opinion of PLM, the General Partner, the Owner, and the Owner's Partner's counsel substantially in the form annexed hereto as Exhibit L;
- (s) payment of the fees payable pursuant to the terms of Clause 15.02;
- (t) no Event of Default, or event which with the passing of time or the giving of notice, or both, shall have occurred and be continuing and the Agent shall have received a certificate from each of the Borrowers as to such matters.

5.02

The obligation of the Banks to make their Contributions available to the Borrowers on the Closing Date is subject to the fulfillment to the Agent's satisfaction of the following further conditions in respect of the Vessel:

- (a) evidence that the Vessel is duly registered in the name and ownership of the Owner under the laws and flag of the Commonwealth of the Bahamas free of registered Encumbrances;
- (b) evidence that the Vessel and such other risks as the Agent may require to be covered in connection with the transactions contemplated by this Agreement and the Ship Mortgage have been insured upon terms and with underwriters in respect of such events as may be acceptable to the Agent in its

absolute discretion and that the interest of the Agent and/or Banks in any such insurances as assignee has been effected and will be noted by all underwriters, brokers and mutual clubs and associations concerned;

- (c) delivery to the Agent of letters of undertaking and opinions as to coverage in form and substance satisfactory to the Agent addressed to the Banks by relevant brokers, underwriters and mutual clubs and associations covering the Vessel's insurance policies and mutual club entries;
- (d) production of a clean confirmation of class certificate dated not more than ten (10) days prior to the Closing Date evidencing that the Vessel is in class and classed in the highest classification for vessels of the same age and type by a classification society acceptable to the Agent, free of any outstanding recommendations, notations or exceptions;
- (e) delivery to the Agent of a certified copy of the Charter and any amendments or supplements thereto, duly executed and delivered by the parties thereto;
- (f) the filings of any financing statement or other document necessary, or requested by the Banks, to perfect the Banks' security interests under the Ship Mortgage and/or Charter Assignment in the United States of America, the State of California or any other relevant jurisdiction.

5.03

The obligation of the Banks to make their Contribution available to the Borrowers on the Closing Date is subject to the fulfillment to the Agent's satisfaction of the following further conditions in respect of the Aircraft:

- (a) evidence that the Aircraft is duly registered in the name and ownership of the Owner Trustee with the FAA, free of registered Encumbrances other than the Aircraft Lease.
- (b) evidence that the Aircraft shall have a current valid United States certificate of airworthiness;
- (c) evidence that the Aircraft and such other risks as the Agent may require to be covered in connection

with the transactions contemplated by this Agreement and the Aircraft Mortgage have been insured upon terms and with underwriters in respect of such events as may be acceptable to the Agent in its absolute discretion and that the interest of the Agent and/or Banks in any such insurances as assignee has been effected and will be noted by all underwriters, brokers and mutual clubs and associations concerned;

- (d) delivery to the Agent of letters of undertaking and opinions as to coverage in form and substance satisfactory to the Agent addressed to the Banks by relevant brokers, underwriters and mutual clubs and associations covering the Aircraft's insurance policies and mutual club entries;
- (e) delivery to the Agent of a certified copy of the Aircraft Lease and any amendments or supplements thereto, duly executed and delivered by the parties thereto; and
- (f) the filings of any financing statement or other document necessary, or requested by the Banks, to perfect the Banks' security interests under the Aircraft Mortgage and Lease Assignment in the United States of America, the State of California or any other relevant jurisdiction.

5.04

The obligation of the Banks to make their Contribution available to the Borrowers on the Closing Date is subject to the fulfillment to the Agent's satisfaction of the following further conditions in respect of the Railcars:

- (a) evidence that each of the Railcars and such other risks as the Agent may require to be covered in connection with the transactions contemplated by this Agreement and the Railcar Mortgage have been insured upon terms and with underwriters in respect of such events as may be acceptable to the Agent in its absolute discretion and that the interest of the Agent and/or Banks in any such insurances as assignee has been effected and will be noted by all underwriters, brokers and mutual clubs and associations concerned;
- (b) delivery to the Agent of letters of undertaking and opinions as to coverage in form and substance satisfactory to the Agent addressed to the Banks

by relevant brokers, underwriters and mutual clubs and associations covering the Railcar's insurance policies and mutual club entries;

- (c) delivery to the Agent of a certified copy of the Railcar Lease and any amendments or supplements thereto, duly executed and delivered by the parties thereto; and
- (d) the filing of any financing statement or other document necessary, or requested by the Banks, to perfect the Banks' security interest and lease assignment under the Railcar Mortgage in the United States, the State of California or any other relevant jurisdiction.

5.05 The Borrowers will file any other financing statement or other document necessary, or requested by the Banks to perfect the Banks' security interest under any of the Security Documents in the United States of America, the State of California or any other relevant jurisdiction.

6. REPRESENTATIONS AND WARRANTIES

6.01 PLM and the General Partner hereby represent and warrant to the Banks (and such representation and warranties shall survive the execution hereof) that:

- (a) PLM is a limited partnership duly organized and existing and in good standing under the laws of California, is qualified to do business in all jurisdictions where the conduct of its business so necessitates and has full power and authority to enter into and perform all its obligations under this Agreement, the Secured Promissory Note and the Security Documents to which it is a party;
- (b) the General Partner is a corporation duly organized and existing in good standing under the laws of the State of Delaware and has the corporate power to own its properties and to carry on its business as now being conducted and as proposed to be conducted. The General Partner is duly qualified to do business as a foreign corporation in the State of California, and has not failed to qualify in any other jurisdiction in which the nature of the business conducted by it makes such qualification necessary or in which the failure to qualify might materially adversely affect the

conduct of the General Partner's business in such jurisdictions. The General Partner has the corporate power and authority to execute, deliver and carry out the provisions of this Agreement and the Security Documents on behalf of PLM and all such action has been duly authorized by all necessary corporate proceedings on its part. The entry into and performance by the General Partner on behalf of PLM of this Agreement, the Secured Promissory Note and the Security Documents to which PLM is a party will not violate in any respect any law or regulation or any agreement to which it is a party or by which its assets are bound;

- (c) this Agreement, the Secured Promissory Note and the Security Documents to which they are parties constitute their legal, valid and binding obligations enforceable against them in accordance with their respective terms;
- (d) the entry into and performance by PLM of this Agreement, the Secured Promissory Note and the Security Documents to which it is a party will not violate in any respect any law or regulation, its Certificate of Limited Partnership, Partnership Agreement or any agreement to which it is a party or by which its assets are bound;
- (e) except in the case of the Aircraft Mortgage and Lease Assignment, Ship Mortgage and Railcar Mortgage and any consents required to register the Vessel, the Aircraft or the Railcars (all of which will be obtained not later than the Closing Date) and consents required in the ordinary course of operation of the Vessel, the Aircraft and the Railcars, all consents, licenses, approvals and authorizations required in connection with this Agreement, those of the Security Documents to which PLM is a party and the transactions contemplated hereby and thereby have been obtained and are in full force and effect;
- (f) except as set forth in the Private Placement Memorandum referred to in Clause 6.01(q), no action, suit, proceeding, litigation or dispute against PLM or the General Partner is presently taking place or pending or to its knowledge threatened;
- (g) neither the General Partner nor PLM is in default under any agreement to which it is a party and no

event of default (or event which, with the giving of notice and/or lapse of time or other applicable condition, might constitute an event of default) has occurred and is continuing unremedied;

- (h) prior to the date hereof, PLM has not incurred indebtedness or other liabilities except as explicitly set forth in the Private Placement Memorandum referred to in clause 6.01(q) or as disclosed in writing to the Agent;
- (i) save for the registration of the Aircraft Mortgage and Lease Assignment, Ship Mortgage and Railcar Mortgage under applicable law and taxes payable in connection therewith, none of the other Security Documents is required to be filed, recorded, enrolled or in any way whatsoever registered with any governmental authority or agency of or in the United States of America or to be stamped with any stamp duty or similar tax, levy or impost in any such country in order to ensure the legal validity, enforceability or admissibility in evidence thereof. In the Commonwealth of The Bahamas, the legality, validity and enforceability or admissibility in evidence of the Security Documents other than the Ship Mortgage is not subject to or conditional upon any of these instruments being filed, recorded or enrolled with any governmental authority or agency or stamped with any stamp duty or similar transaction tax except for the payment of stamp taxes, of a nominal value, in the event that the said Security Documents other than the Ship Mortgage were to be used in the courts of the Commonwealth of The Bahamas. Section 290 of the Merchant Shipping Act, 1976, exempts the Ship Mortgage from stamp duty. Should an action be commenced in the Commonwealth of The Bahamas in respect of this transaction, the Ship Mortgage shall be admissible in evidence without attracting stamp duty;
- (j) upon the registration of the Aircraft Mortgage and Lease Assignment, Ship Mortgage and Railcar Mortgage under applicable law each such agreement will constitute a first priority security interest in favour of the Banks and no re-recording, refiling or other action will be necessary to maintain the priority of such agreements in favour of the Banks;

- (k) upon execution and delivery, and upon filing in the case of the Aircraft Mortgage and Lease Assignment, the Agent or the Banks, as the case may be, will have a first priority security interest, as the case may be, in the rights assigned thereby pursuant to each of the Aircraft Mortgage and Lease Assignment, Railcar Mortgage, Assignment of Insurance and Charter Assignment;
- (l) the Owner is duly qualified to register the Vessel owned by it under the laws and flag of the Commonwealth of the Bahamas, and the Vessel is duly documented in the name of the Owner, as sole owner thereof, free and clear of all Encumbrances whatsoever;
- (m) the Owner Trustee is duly qualified to own the Aircraft under the laws of the United States, and the Aircraft is duly registered in the name of the Owner Trustee, as sole owner thereof for the beneficial ownership of PLM pursuant to the Trust Agreement, free and clear of all Encumbrances whatsoever but for the Aircraft Lease;
- (n) PLM is duly qualified to own and register the Railcars under the laws of the United States, and the Railcars are duly registered in the name of PLM, as sole owner thereof, free and clear of all Encumbrances whatsoever except for security interest in the Railcars held by Irving Trust Company which interest shall be released upon the Closing Date;
- (o) the place where all records respecting the transactions contemplated hereby, including records relating to the chartering, leasing and operations of the Equipment is and PLM's principal place of business is 655 Montgomery Street, San Francisco, California, and PLM shall advise the Agent promptly of any change in such address;
- (p) PLM is not required under the laws of any country, state, city or other political entity from which it may make any payment hereunder or under any of the Security Documents to make any deduction or withholding from any such payment;
- (q) no information contained in this Agreement, the Secured Promissory Note, any Security Document or any written statement furnished by or on behalf of

PLM pursuant to the terms of this Agreement or in that certain Private Placement Memorandum prepared by PLM Income Advantage Fund dated February 6, 1989, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which made;

- (r) neither the execution and delivery by PLM of this Agreement, the Secured Promissory Note or the Security Documents nor the performance of PLM or the General Partner on behalf of PLM of their respective obligations hereunder or thereunder will result in the creation or imposition of an Encumbrance (other than the Encumbrances created pursuant to this Agreement, the Secured Promissory Note or the Security Documents) upon any of their respective properties or assets;
- (s) No part of the proceeds of the Loan will be used for any purpose that violates the provisions of any of Regulations G, T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors. Neither PLM nor the General Partner is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock within the meaning of Regulations G, T, U and X issued by the Board of Governors of the Federal Reserve System.
- (t) PLM is not an "investment company" or a company "controlled" by an "investment company" (as each of such terms is defined or used in the Investment Company Act of 1940, as amended).
- (u) Neither PLM nor the General Partner has a Plan or Multi-Employer Plan within the meaning of ERISA.
- (v) PLM and the General Partner are, and at all times immediately after the Banks advance the Loan will be, Solvent. PLM and the General Partner are not, and following the consumation of this transaction, will not be, left with an unreasonably small capital or remaining assets within the meaning of Section 548 of the United States Bankruptcy Code, as amended (the "Bankruptcy Code"), 11 U.S.C. §548, Section 274 of the New York Debtor and Creditor Law (the "New York Debtor and Creditor Law") or California Uniform Fraudulent Transfer Act,

Cal. Civil Code §§ 3439, et seq., (the "California Act"); and by entering into and carrying out their respective obligations under the Loan Agreement, Secured Promissory Note and the Security Documents to which they are parties, PLM and the General Partner do not and will not incur debts beyond their ability to pay as such debts mature or become due (within the meaning of Section 548 of the Bankruptcy Code, Section 275 of the New York Debtor and Creditor Law or the California Act).

6.02

The Owner and the Owner's Partner hereby represent and warrant to the Banks (and such representation and warranties shall survive the execution hereof) that:

- (a) the Owner is a limited partnership duly organized and existing and in good standing under the laws of California, is qualified to do business in all jurisdictions where the conduct of its business so necessitates and has full power and authority to enter into and perform all its obligations under this Agreement, the Secured Promissory Note and the Security Documents to which it is a party;
- (b) the Owner's Partner is a corporation duly organized and existing in good standing under the laws of the State of California and has the corporate power to own its properties and to carry on its business as now being conducted and as proposed to be conducted. The Owner's Partner has not failed to qualify in any other jurisdiction in which the nature of the business conducted by it makes such qualification necessary or in which the failure to qualify might materially adversely affect the conduct of the Owner's Partner's business in such jurisdictions. The Owner's Partner has the corporate power and authority to execute, deliver and carry out the provisions of this Agreement and the Security Documents on behalf of the Owner and all such action has been duly authorized by all necessary corporate proceedings on its part. The entry into and performance by the Owner's Partner on behalf of the Owner of this Agreement, the Secured Promissory Note and the Security Documents to which the Owner is a party will not violate in any respect any law or regulation or any agreement to which it is a party or by which its assets are bound;

- (c) this Agreement, the Secured Promissory Note and the Security Documents to which they are parties constitute their legal, valid and binding obligations enforceable against them in accordance with their respective terms;
- (d) the entry into and performance by the Owner of this Agreement, the Secured Promissory Note and the Security Documents to which it is a party will not violate in any respect any law or regulation, its Certificate of Limited Partnership or any agreement to which it is a party or by which its assets are bound;
- (e) except in the case of the Ship Mortgage and any consents required to register the Vessel (all of which will be obtained not later than the Closing Date), and consents required in the ordinary course of operation of the Vessel, all consents, licenses, approvals and authorizations required in connection with this Agreement, those of the Security Documents to which the Owner is a party and the transactions contemplated hereby and thereby have been obtained and are in full force and effect;
- (f) no action, suit, proceeding, litigation or dispute against the Owner or the Owner's Partner is presently taking place or pending or to its knowledge threatened;
- (g) neither the Owner's Partner nor the Owner is in default under any agreement to which it is a party and no event of default (or event which, with the giving of notice and/or lapse of time or other applicable condition, might constitute an event of default) has occurred and is continuing unremedied;
- (h) prior to the date hereof, neither the Owner's Partner nor the Owner has incurred indebtedness or other liabilities except as disclosed in writing to the Agent other than indebtedness incurred in the ordinary course of business in connection with the ownership and operation of the Vessel;
- (i) save for the registration of the Ship Mortgage under applicable law and taxes payable in connection therewith, none of the other Security Documents to which they are parties is required to be

filed, recorded, enrolled or in any way whatsoever registered with any governmental authority or agency of or in the United States of America or to be stamped with any stamp duty or similar tax, levy or impost in any such country in order to ensure the legal validity, enforceability or admissibility in evidence thereof. In the Commonwealth of The Bahamas, the legality, validity and enforceability or admissibility in evidence of the Security Documents to which they are parties other than the Ship Mortgage is not subject to or conditional upon any of these instruments being filed, recorded or enrolled with any governmental authority or agency or stamped with any stamp duty or similar transaction tax except for the payment of stamp taxes, of a nominal value, in the event that the said Security Documents other than the Ship Mortgage were to be used in the courts of the Commonwealth of The Bahamas. Section 290 of the Merchant Shipping Act, 1976, exempts the Ship Mortgage from stamp duty. Should an action be commenced in the Commonwealth of The Bahamas in respect of this transaction, the Ship Mortgage shall be admissible in evidence without attracting stamp duty;

- (j) upon the registration of the Ship Mortgage under applicable law, the Ship Mortgage will constitute a first priority security interest in favour of the Banks and no re-recording, refiling or other action will be necessary to maintain the priority of such agreements in favour of the Banks;
- (k) upon execution and delivery, the Agent or the Banks will have a first priority security interest in the rights assigned thereby pursuant to each of the Assignment of Insurance and Charter Assignment;
- (l) the Owner is duly qualified to register the Vessel owned by it under the laws and flag of the Commonwealth of the Bahamas, and the Vessel is duly documented in the name of the Owner, as sole owner thereof, free and clear of all Encumbrances whatsoever;
- (m) the place where all records respecting the transactions contemplated hereby, including records relating to the chartering and operation of the Vessel is and the Owner's principal place of

business is 655 Montgomery Street, San Francisco, California, and the Owner shall advise the Agent promptly of any change in such address;

- (n) the Owner is not required under the laws of any country, state, city or other political entity from which it may make any payment hereunder or under any of the Security Documents to which it is a party to make any deduction or withholding from any such payment;
- (o) no information contained in this Agreement, the Secured Promissory Note, any Security Document to which it is a party or any written statement furnished by or on behalf of Owner pursuant to the terms of this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which made;
- (p) neither the execution and delivery by the Owner of this Agreement, the Secured Promissory Note or the Security Documents to which it is a party nor the performance of the Owner or the Owner's Partner on behalf of the Owner of their respective obligations hereunder or thereunder will result in the creation or imposition of an Encumbrance (other than the Encumbrances created pursuant to this Agreement, the Secured Promissory Note or the Security Documents) upon any of their respective properties or assets;
- (q) no part of the proceeds of the Loan will be used for any purpose that violates the provisions of any of Regulations G, T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors. Neither the Owner nor the Owner's Partner is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock within the meaning of Regulations G, T, U and X issued by the Board of Governors of the Federal Reserve System;
- (r) the Owner is not an "investment company" or a company "controlled" by an "investment company" (as each of such terms is defined or used in the Investment Company Act of 1940, as amended);

- (s) neither the Owner nor the Owner's Partner has a Plan or Multi-Employer Plan within the meaning of ERISA;
- (t) the Owner and the Owner's Partner are, and at all times immediately after the Banks advance the Loan will be, Solvent. The Owner and the Owner's Partner are not, and following the consumation of this transaction, will not be, left with an unreasonably small capital or remaining assets within the meaning of the Bankruptcy Code, the New York Debtor and Creditor Law or the California Act; and by entering into and carrying out their respective obligations under the Loan Agreement, Secured Promissory Note and the Security Documents to which they are parties, the Owner and the Owner's Partner do not and will not incur debts beyond their ability to pay as such debts mature or become due (within the meaning of Section 548 of the Bankruptcy Code, Section 275 of the New York Debtor and Creditor Law or the California Act.

6.03

First Security Bank of Utah, National Association, in its individual capacity, hereby represents and warrants that:

- (a) First Security Bank of Utah, National Association (i) is a national banking association, duly organized, legally existing and in good standing under the laws of the United States and (ii) has full corporate power and authority to enter into and perform its obligations under the Trust Agreement and as the Owner Trustee under and pursuant to the Trust Agreement, to enter into and perform its obligations under the Secured Promissory Note and the Security Documents to which it is a party. On the Closing Date, each of the Loan Agreement, Secured Promissory Note and the Security Documents to which it is a party shall have been duly authorized by the Owner Trustee and each of the Loan Agreement, Secured Promissory Note and the Security Documents to which it is a party shall have been duly executed and delivered in the name and on behalf of the Owner Trustee by a duly authorized officer of the Owner Trustee. On the Closing Date, each of the Loan Agreement, Secured Promissory Note and the Security Documents to which it is a party shall constitute the legal, valid and binding obligation of the Owner Trustee

and shall be enforceable against the Owner Trustee in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and subject to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law.

- (b) The execution and delivery by the Owner Trustee of this Loan Agreement, the Secured Promissory Note and the Security Documents to which the Owner Trustee is a party does not, and the performance or observance by the Owner Trustee of the terms, conditions or provisions hereof or thereof will not, (i) conflict with or violate any law, governmental rule, published regulation, judgment or any judicial or administrative order or decree binding on the Owner Trustee, (ii) conflict with or violate the Trust Agreement or the Articles of Association or By-laws of First Security Bank of Utah, National Association, in its individual capacity, (iii) conflict with, violate or result in the breach of any agreement or instrument to which the Owner Trustee or First Security Bank of Utah, National Association, in its individual capacity, as the case may be, is a party or by which the Owner Trustee or First Security Bank of Utah, National Association, in its individual capacity, as the case may be, or any of its properties are bound, or constitute a default thereunder, or (iv) result in the creation of any Lien on the Aircraft (except as contemplated by the Loan Agreement and the Aircraft Mortgage and Lease Assignment). Except as contemplated by Clause 5.03(f) hereof, the Owner Trustee is not currently a party to any Uniform Commercial Code financing statements relating to the Aircraft or any rights and interests created under the Loan Agreement or the Aircraft Mortgage and Lease Assignment.
- (c) No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of or by, any Federal, state or local governmental authority or agency, or other person is required with respect to the execution, delivery and performance by the Owner Trustee of this Loan Agreement, the Secured Promissory Note or any of the Security Documents to which it is a party or the consummation of any of the transactions contemplated hereby or thereby, or if any

such approval, notice, registration or action is required, it has been duly given or obtained.

- (d) There are no actual, pending or, to the knowledge of an officer in its Corporate Trust Administration Department, threatened legal actions, arbitrations, or other proceedings involving the Owner Trustee or First Security Bank of Utah, National Association, in its individual capacity, as the case may be, which might have an adverse effect on the validity or enforceability of this Loan Agreement, the Secured Promissory Note or any of the Security Documents to which the Owner Trustee or First Security Bank of Utah, National Association, in its individual capacity, as the case may be, is a party or on the capacity of the Owner Trustee or First Security Bank of Utah, National Association, in its individual capacity, as the case may be, to perform its obligations hereunder, under the Secured Promissory Note or under the Security Documents to which it is a party.
- (e) Neither First Security Bank of Utah, National Association, in its individual capacity, nor the Owner Trustee is an "investment company" or a company controlled by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.
- (f) Neither the Owner Trustee, First Security Bank of Utah, National Association, in its individual capacity, nor anyone acting on either of their behalfs has directly or indirectly offered any interest in the Trust Estate, the Aircraft, the Secured Promissory Note or any similar securities for sale to, or solicited any offer to acquire any of the same from, anyone.
- (g) Each of the Owner Trustee and First Security Bank of Utah, National Association, in its individual capacity, is a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act.
- (h) The principal place of business of the Owner Trustee and the place where its records concerning the Aircraft and its interests in the Secured Promissory Note, and the Security Documents to which it is a party are kept is 79 South Main Street, Salt Lake City, Utah 84111, Attention: Corporate Trust Department.

7. UNDERTAKINGS

7.01 The General Partner, the Owner's Partner and Borrowers undertake that, so long as the Loan remains outstanding and any amounts remain payable under this Agreement, the Secured Promissory Note or any Security Document, they will comply in full with the following undertakings:

- (a) other than the Owner Trustee, each will send, or will procure that there is sent, to the Agent in as many copies as the Agent may reasonably require from time to time, (i) their consolidated audited annual or other published accounts of all financial statements as required by law and in a form consistent with generally accepted United States accounting principles and practices consistently applied, as soon as is practicable after the same have been issued but in any case within one hundred and twenty (120) days of the termination of each of their fiscal years certified as to their correctness by auditors as may be acceptable to the Agent, (ii) each of their quarterly consolidated financial statements in a form consistent with generally accepted United States accounting principles and practices consistently applied, as soon as is practicable after the end of each financial quarter but in any case within forty five (45) days of the termination of its financial quarter certified as to their correctness by one of their duly authorized officers and (iii) such financial or other information relating to each of them or any of the transactions contemplated by this Agreement, the Secured Promissory Note, the Security Documents, as may be requested by the Agent;
- (b) they will notify the Agent in writing of any Event of Default (or event which, with the giving of notice and/or lapse of time or other applicable condition, might constitute an Event of Default) forthwith upon the occurrence thereof, provided, however, that if any Event of Default (or event which, with the giving of notice and/or lapse of time or other applicable condition, might constitute an Event of Default) shall occur by reason of an action or inaction of a person who is not one of the Borrowers or an affiliate of one of the Borrowers, then they will notify the Agent forthwith upon learning of the occurrence thereof;

- (c) they will obtain and promptly renew from time to time, all authorizations, approvals, consents and licences required under any applicable law or regulation with respect to this Agreement, the Secured Promissory Note, the Security Documents, the Charter, the Aircraft Lease, the Railcar Lease, the Aircraft, the Railcars and the Vessel and each of them shall comply with the terms of the same;
- (d) the Borrowers will not without the prior written consent of the Agent (which consent shall not be unreasonably withheld), sell, transfer, lend, lease or otherwise dispose of the whole or, in the opinion of the Agent, any substantial part of its business, property or assets, whether by a single transaction or by a series of transactions, (related or not);
- (e) other than pursuant to or permitted by those of the Security Documents to which the Borrowers are parties, each of the Borrowers will not, without the prior written consent of the Agent, create, assume or permit to exist any Encumbrance upon any of its property or assets (whether now owned or hereafter acquired);
- (f) the Borrowers will not without the prior written consent of the Agent:
 - (i) conduct any business or activity other than as presently conducted or as is contemplated by this Agreement, the Security Documents or the Private Placement Memorandum;
 - (ii) declare or pay any dividend or make any other distribution of its assets or profits to the General Partner or the limited partners other than as contemplated by the Private Placement Memorandum of PLM, so long as no Event of Default shall have occurred and be continuing;
 - (iii) repay any loans from the General Partner or a limited partner of PLM or any other loans advanced to it by any person nor make any loans or advances to any other person after the occurrence of an Event of Default;

- (iv) incur or agree to incur or issue any indebtedness nor make any commitments other than (a) in the ordinary course of day-to-day trading and (b) for all business transactions and activities set forth in the Private Placement Memorandum referred to in Clause 6.01(q) hereof;
- (v) form or acquire any subsidiaries or consolidate or amalgamate with, or merge into, any other entity;
- (g) the Borrowers will not, without the prior written consent of the Agent, acquire any capital assets (including any equipment other than the Equipment) by purchase, charter or otherwise or make any investment in any firm, corporation or person whether by acquisition of stock or indebtedness, by loan, guarantee or otherwise;
- (h) the Borrowers will not, without the prior written consent of the Agent, supplement, amend, vary or terminate or request or grant any material waivers under any of the Charter, the Aircraft Lease or the Railcar Lease;
- (i) the Borrowers shall at all times conduct their businesses in a manner so as to permit them to qualify and to maintain their respective qualifications to register their respective Equipment in compliance with the provisions and requirements of any applicable law;
- (j) they shall, immediately upon receipt from any governmental official having jurisdiction over any of the Equipment of notice in respect of the invalidity or possible invalidity of the registration of a Piece of Equipment or the disqualification or possible disqualification of PLM, the Owner Trustee or the Owner to maintain the registration of one of the Pieces of Equipment owned by it, (i) give written notice to the Banks of the receipt of such notice and (ii) take all action as may be required by the Banks to continue registration of such Piece of Equipment;
- (k) they shall execute and do all such assurances, acts and things as the Agent, any Bank or any receiver in its absolute discretion may require for:

- (a) perfecting or protecting the security created (or intended to be created) by any of the Security Documents; or
 - (b) preserving or protecting any of the rights of the Agent and the Banks (or any of them) under any of the Security Documents; or
 - (c) facilitating the appropriation or realization of any of the collateral assigned or granted to the Banks or the Agent on behalf of the Banks under any of the Security Documents and enforcing the security constituted by any of the Security Documents on or at any time after the same shall have become enforceable; or
 - (d) the exercise of any power, authority or discretion vested in the Agent and the Banks under any of the Security Documents,
- (1) the General Partner will not enter into any transaction or agreement, including but not limited to any lease, purchase or sale of real property, purchase of goods or services, with any Affiliate or any officer or director of the General Partner or the relevant Affiliate except on terms that are no less favorable to the General Partner or the relevant Affiliate than those that could have been obtained in a comparable transaction by the General Partner or such Affiliate with any unrelated Person, provided that the General Partner and any of its Affiliates may enter into transactions with each other in the ordinary course of their respective business.

in any such case, forthwith upon demand by the Agent and at the expense of the Borrowers.

8. DEFAULT

- 8.01 If, for any reason whatsoever, any of the following events shall occur:
- (a) the Borrowers fail to pay when due any sum payable pursuant to this Agreement or the Secured Promissory Note; or
 - (b) the Borrowers shall commit any other breach of, or omit to observe or perform, any of their other

obligations or undertakings in this Agreement or those of the Security Documents to which they are parties or the Charterer, the Aircraft Lessee or the Railcar Lessee shall commit any breach of, or omit to observe or perform, any of its obligations or undertakings contained in the Charter, Aircraft Lease or Railcar Lease respectively and such breach or omission shall not be cured within any applicable grace or notice period therein provided for or any event of default shall occur under any Security Document; or

- (c) any representation or warranty made by the Borrowers, the General Partner, the Owner's Partner or the Repurchase Guarantor in or pursuant to this Agreement or in those of the Security Documents to which each is a party or any representation or warranty made by the Borrowers, the General Partner, the Owner's Partner or the Repurchase Guarantor or in any notice, certificate, instrument or statement contemplated hereby or thereby or made or delivered pursuant hereto or thereto is, or proves to be, untrue or incorrect in a material manner when made or deemed to be repeated; or
- (d) any indebtedness of the Borrowers shall not be paid when due or shall become prematurely payable or capable of being prematurely declared payable as a consequence of a default with respect thereto or create an Encumbrance over any assets or property of the Borrowers or shall become enforceable or capable of being enforced; or
- (e) (i) any preparatory or other steps taken by any person to convene a meeting of any of the Borrowers, the General Partner, Owner's Partner, the Repurchase Guarantor, the Charterer, the Aircraft Lessee or the Railcar Lessee, for the purposes of considering or passing any resolution or petition for the dissolution or winding up thereof or (ii) an order is made or a petition is presented or a resolution is passed, or the appointment of a liquidator in respect of, for the winding up or dissolution of any of the Borrowers, the General Partner, Owner's Partner, the Repurchase Guarantor, the Charterer, the Aircraft Lessee or the Railcar Lessee, or (iii) any of the Borrowers, the General Partner, Owner's Partner, the Repurchase Guarantor, the Charterer, the Aircraft Lessee or the Railcar Lessee becomes insolvent or is unable

to pay its debts or stops or threatens to stop making payments generally, or (iv) any preparatory or other steps are taken by any person to appoint a receiver or similar official of any of the Borrowers, the General Partner, Owner's Partner, the Repurchase Guarantor, the Charterer, the Aircraft Lessee or the Railcar Lessee or any of its property or assets, or (v) any meeting of any of the Borrowers, the General Partner, Owner's Partner, the Repurchase Guarantor, the Charterer, the Aircraft Lessee or the Railcar Lessee is convened or any other preparatory steps are taken for the purpose of considering an application for an administration order in relation to any of the Borrowers, the General Partner, Owner's Partner, the Repurchase Guarantor, the Charterer, the Aircraft Lessee or the Railcar Lessee or such an administration order is made by a court, (vi) anything analogous to any of the foregoing events occurs in any applicable jurisdiction; or

- (f) an encumbrancer takes possession of the whole or (in the opinion of the Agent) any material part of the property or assets of the Borrowers or a distress, execution or other process is levied or enforced upon or sued out against any property or assets of the Borrowers; or
- (g) the security constituted by any of the Security Documents shall cease to be for any reason (x) a first mortgage covering the Vessel, Aircraft or the Railcars after the Closing Date or (y) a first perfected security interest in any of the other security granted by any Security Document then in force; or
- (h) a Total Loss shall have occurred and the Borrowers shall have failed to pay or cause to be paid to the Banks the amounts referred to in Clause 4.02 hereof, or the underwriters shall have disclaimed coverage in respect of such Total Loss; or
- (i) it becomes impossible or unlawful for the Borrowers or the Repurchase Guarantor to fulfill any of the covenants and obligations on each of their parts to be fulfilled as contained in this Agreement, the Secured Promissory Note, or the Security Documents to which each is a party or for the Banks or the Agent to exercise any of the rights or remedies vested in them under this Agreement,

the Secured Promissory Note, or the Security Documents; or

- (j) the General Partner shall be removed or resign from its position as general partner of PLM; or
- (k) any other event or events (whether related or not) occurs the effect of which is, in the opinion of the Agent, to imperil, delay or prevent (i) the due fulfillment by the Borrowers or the Repurchase Guarantor of any of their obligations or undertakings contained in this Agreement, the Secured Promissory Note or any of the Security Documents to which they are parties, or (ii) the due fulfillment by any other party to any of the Security Documents (other than the Banks) of any of their respective obligations or undertakings contained in those of the Security Documents to which they are parties, or (iii) the due fulfillment by any of the Charterer, Aircraft Lessee or Railcar Lessee of any of its obligations or undertakings contained in the Charter, the Aircraft Lease or the Railcar Lease respectively or any agreement entered into in connection therewith,

then the Agent, by notice in writing to the Borrowers, may declare the Loan, accrued interest thereon and all other amounts payable hereunder or under any Security Document immediately due and payable, whereupon the Loan together with accrued interest thereon and all other amounts payable hereunder shall become immediately due and payable, provided that in the case of the occurrence of an Event of Default referred to in Clause 8.01(e), the Loan, accrued interest thereon and all other amounts payable hereunder or under any Security Document shall automatically become immediately due and payable without the need for any demand from the Agent or any of the Banks or notice to the Borrowers or any other action of any kind whatsoever, all of which the Borrowers hereby specifically waive, and the obligations of the Banks hereunder shall thereupon automatically terminate. Notwithstanding the foregoing, with respect to any Event of Default other than an Event of Default under Clauses 8.01(a), (c), (e), (g) and (j), the Banks may exercise their remedies under this Agreement only with respect to such Events of Default which shall remain unremedied for ten Business Days after the occurrence thereof.

9. THE BANKS' LIABILITY

9.01 It is hereby expressly agreed and declared that:

- (a) the obligations of the Agent and each of the Banks hereunder are several and, in particular, each Bank's Commitment in respect of the Loan pursuant to the terms hereof shall be limited to the extent of its Contribution; and
- (b) neither the Agent nor any of the Banks shall be liable or responsible in any way whatsoever for the obligations of any other Bank hereunder or for any failure by any such other Bank to perform the same; and
- (c) no such failure on the part of any Bank shall relieve any other Bank or the Borrowers from their obligations hereunder.

10. PAYMENTS, SECURITY AND APPLICATION

10.01 All payments to be made by the Borrowers to the Banks under this Agreement shall be made in immediately available funds in Dollars to the Agent's account maintained at Northern Trust, New York. All such payments shall be made (i) without set-off, counterclaim or condition and (ii) free and clear of, and without deduction for or on account of, any present or future Taxes, unless the Borrowers are required by law or regulation to make payment subject to any Taxes. In the event that the Borrowers are required by law or regulation to make any deduction or withholding on account of any Taxes from any payment due under this Agreement, then:

- (a) the Borrowers shall notify the Agent promptly as soon as any of them becomes aware of such requirement and shall remit promptly the amount of such Taxes to the appropriate taxation authority, and in any event prior to the date on which penalties attach thereto; and
- (b) such payment shall be increased by such amount as may be necessary to ensure that the Agent on behalf of the Banks receives a net amount, free and clear of all Taxes, equal to the full amount which the Agent on behalf of the Banks would have received had such payment not been subject to such Taxes.

The Borrowers shall indemnify the Agent and the Banks, jointly and severally, against any liability of the Agent or the Banks in respect of such Taxes and shall supply copies of applicable tax receipts.

- 10.02 If any sum payable by the Borrowers under this Agreement shall become due on a day which is not a Business Day, the due date therefor shall be extended to the next succeeding Business Day, unless such Business Day falls in the next calendar month, in which event such due date shall be the immediately preceding Business Day.
- 10.03 All payments of interest and any other payments hereunder of an annual nature shall accrue from day-to-day and shall be calculated on the basis of the actual number of days elapsed in a 360-day year.
- 10.04 The Borrowers shall indemnify the Banks and the Agent on demand against all costs, expenses, liabilities and losses (including funding losses) sustained or incurred as a result of or in connection with:
- (a) the occurrence and/or continuance of any Event of Default (or event which, with the giving of notice and/or lapse of time or other applicable condition might constitute an Event of Default);
 - (b) except as otherwise expressly provided herein the receipt or recovery or an overdue sum otherwise than on the Payment Date; and/or
 - (c) any judgment or order which relates to any sum due hereunder being expressed in a currency other than the currency expressed to be due hereunder and as a result of a variation in rates of exchange between the rate at which such amount is converted into such other currency for the purposes of such judgment or order and the rate prevailing on the date of actual payment of such amount pursuant thereto.

The above indemnities are separate and independent obligations of each of the Borrowers and apply irrespective of any indulgence granted by the Agent or the Banks.

- 10.05 The Borrowers hereby undertake to execute, and to procure the execution by all other necessary parties (other than the Banks and the Agent) of, the Security

Documents at the times and in the manner provided in this Agreement so that such documents shall upon execution be legal, valid and binding obligations of the respective parties thereto in accordance with their terms.

- 10.06 It is declared and agreed that (i) the security created or to be created by or pursuant to this Agreement, the Secured Promissory Note and the Security Documents shall be held by the Banks or the Agent for the benefit of itself and the Banks, as the case may be, as a continuing security for the payment of all moneys which may at any time and from time to time be or become due and payable to the Banks and the Agent or any of them under this Agreement, the Secured Promissory Note, the Security Documents or any of them, (ii) the security so created shall not be satisfied by an intermediate payment or satisfaction of any part of the amount hereby and thereby secured, (iii) the security so created shall be in addition to and shall not in any way be prejudiced or affected by any collateral or other security now or hereafter held by the Banks and the Agent or any of them for all or any part of the moneys hereby and thereby secured, (iv) every power and remedy given to the Banks and the Agent or any of them hereunder or under any of the Security Documents shall be in addition to, and not a limitation of, any and every other power or remedy vested in the Banks and the Agent or any of them hereunder or thereunder and (v) all the powers so vested in the Banks and the Agent or any of them may be exercised from time to time and as often as the Agent may deem expedient.

- 10.07 All moneys received by the Banks or any of them or the Agent on their behalf under or pursuant to any of the Security Documents after the happening of an Event of Default or which are not expressly to be distributed pursuant to another provision hereof or of any Security Document shall be applied by the Agent in the manner following:

first, so much of such moneys as shall be required to pay all taxes, assessments or liens in respect of any of the Equipment or any Security Document having priority over liens or security interests in favor of the Banks, shall be applied to the payment of such taxes, assessments or liens;

second, so much of such moneys as shall be required to reimburse the Banks or the Agent for any expense or

other loss incurred by the Banks and/or the Agent in connection with the collection or distribution of such amounts including, but not limited to, the expenses of enforcement, any sale or taking, attorney's fees, and court costs, shall be applied to such reimbursement;

third, so much of such moneys as shall be required to pay the Banks all amounts owed to them pursuant to this Agreement, the Secured Promissory Note and the Security Documents other than amounts specifically provided for in this Clause 10.07, shall be applied to the payment of such amounts;

fourth, so much of such amounts as shall be required to pay in full the accrued but unpaid interest (including any interest on overdue principal) on the Loan to the date of distribution shall be applied to the payment of such interest on the Loan;

fifth, so much of such amounts as shall be required to pay in full the unpaid principal amount of the Loan shall be applied to the payment of such principal amount;

sixth, so much of such amounts as the Agent in its sole discretion shall determine to be equal to any amounts which are not then accrued due and payable to the Banks under this Agreement, the Secured Promissory Note, and the Security Documents (or any of them) or are not then due and payable to the Banks by virtue of payment demanded under this Agreement, the Secured Promissory Note, and the Security Documents (or any of them) but which (in the sole and absolute opinion of the Agent) will or may become due and payable in the future shall be retained by the Agent and shall be applied upon the same becoming due and payable; and

seventh, the balance, if any remaining, shall be distributed to the Borrowers.

10.08

The Borrowers, at their own expense and forthwith upon the request of the Agent, will execute, sign, perfect, do and (if required) file and register every such further assurance, document, act or thing as, in the opinion of the Agent, may be necessary for the purpose of implementing the terms and provisions of this Agreement, the Secured Promissory Note, and the Security Documents or any of them or perfecting the security created hereby and thereby.

11. CHANGES IN CIRCUMSTANCES

11.01 Neither the Banks nor the Agent shall be liable for any failure on the part of any of them to perform the whole or any part of this Agreement which results from the action of any government or governmental authority or any central banking authority having the force of law or any strike or labor disturbance (whether of their employees or otherwise) or any cause whatsoever outside its control which renders it impossible for any of the Banks to make its Contribution (or any part thereof) available hereunder.

11.02 If, by reason of any change in applicable law or regulation or regulatory requirement or directive whether or not having the force of law or in the interpretation or application thereof by the governmental or quasi-governmental or judicial authority or central bank charged with the administration or interpretation of such law or regulation, it shall appear to any Bank that it has become unlawful or impossible for a Bank to perform its obligations hereunder, such Bank shall inform the Agent and the Agent shall immediately notify the Borrowers, whereafter the liability of that Bank to advance or maintain its Contribution shall forthwith cease or, if the Loan has been advanced, the Borrowers shall prepay an amount equal to that Bank's Contribution either immediately or, if permitted by such law or regulation or regulatory requirement or directive whether or not having the force of law, on the Payment Date. In any such event, but without prejudice to the aforesaid obligation of the Borrowers to prepay, the Borrowers, Agent and that Bank shall negotiate in good faith for a period not to exceed thirty (30) days commencing from the date notice is given by the Agent as provided above, with a view to agreeing to terms for making or continuing to make that Bank's Contribution available from another jurisdiction or funding it from alternative sources.

11.03 If the effect of any change in applicable law or regulation or regulatory requirement or in the interpretation thereof or if compliance by any of the Banks with any applicable direction or official request or requirement (whether or not having the force of law) of any governmental or other authority, in any case having effect after the date hereof, is to:

- (a) change the basis of taxation to that Bank of payment of principal or interest or any other payment

due or to become due pursuant to the terms of this Agreement (other than an increase in the rate of taxation on that Bank's overall net income); or

- (b) impose or modify or deem applicable any reserve requirements or require the making of any special deposits against or in respect of any assets or liabilities of, deposits with or for the account of or loans by such Bank; or
- (c) impose on that Bank any other condition affecting its Contribution or any part thereof,

the result of which is either to increase the cost to that Bank of making available or maintaining its Contribution or any part thereof or to reduce the amount of any payment received by that Bank hereunder then and in any such case if such increase or reduction in the opinion of the relevant Bank materially affects the interests of such Bank,

- (i) that Bank shall notify the Borrowers through the Agent of any of the above circumstances and use all reasonable efforts (without any financial commitment on its part) to avoid the effects of any such change and in particular shall consider, subject to its being able to obtain the necessary consents, fulfilling its obligations through another office, or transferring its participation at par to one or more affiliates or other financial institutions not affected by the change in such law or regulation; or
- (ii) if such transfer referred to in (i) above is or proves not to be possible or fails to have the effect of eliminating the said increased cost or said reduction in the amount of any payment received, the Borrowers shall on demand (whether made before or after any repayment of the Loan) pay to the Agent for the account of that Bank such amount as that Bank certifies to be necessary to compensate it for such additional cost or reduction; and
- (iii) at any time thereafter, so long as the circumstances giving rise to the obligation to make the compensating payment continue, the Borrowers may, upon giving the Agent not less than thirty (30) days' written notice which

shall be irrevocable, prepay to the Agent for the account of that Bank an amount equal to that Bank's Contribution.

11.04 If the Contribution of any Bank is to be prepaid by the Borrowers pursuant to any of the provisions of this Clause 11, the Borrowers shall simultaneously with such prepayment pay to the Agent for the account of the Bank concerned all accrued interest on such Bank's Contribution and all other sums payable by the Borrowers to such Bank pursuant to this Agreement in connection with the relevant Bank's Contribution.

11.05 The certificate or determination of the Agent, or, as the case may be, any Bank, as to any matters referred to in this Article 11 shall, save for any manifest error, be conclusive and binding on the Borrowers.

12. THE AGENT AND THE BANKS

12.01 Each Bank irrevocably authorises the Agent (whether or not by or through employees or agents) to take all such action on such Bank's behalf and to exercise all such powers and discretions hereunder as are delegated to the Agent under the terms of this Agreement, the Secured Promissory Note, the Security Documents or any of them together with such powers and discretions as are reasonably incidental thereto. In performing its duties and functions hereunder, the Agent shall exercise the same care as it normally exercises in managing similar facilities for its own account but the Agent assumes no further responsibility, and neither the Agent nor any of its officers, directors, employees or agents shall be liable to the Banks or to any of them for any action taken or omitted hereunder or in connection with this Agreement, the Secured Promissory Note, or the Security Documents unless caused by its or their gross negligence or willful misconduct. The Agent shall be entitled to rely on any communication, instrument or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons and shall be entitled to rely as to legal matters on written opinions of legal advisors selected by it. The Agent shall not by reason of this Agreement, the Secured Promissory Note, or the Security Documents stand in a fiduciary relationship to or be, or be deemed to be, a trustee of, or for, any Bank nor the Borrower or any other person nor shall the Agent be responsible to the Banks or to any of them for the financial condition of the Borrowers or for any

statements, representations and warranties in this Agreement, the Secured Promissory Note or the Security Documents or any certificate, report or document executed or delivered hereunder or thereunder or for the validity, effectiveness, enforceability or insufficiency of this Agreement, the Secured Promissory Note, or the Security Documents or of any certificate, report or other document executed or delivered hereunder or thereunder. Each Bank has, for the purpose of this Agreement, made and shall continue to make its own independent assessment of the financial condition and the affairs of the Borrowers.

- 12.02 The Agent shall not be required to make any inquiry as to the performance or observance by the Borrowers of any of the terms, provisions or conditions of this Agreement, the Secured Promissory Note, or the Security Documents or as to the existence or possible existence of any Event of Default, or any event or condition which with the giving of notice or lapse of time or both would constitute an Event of Default, unless the Agent has been notified in writing thereof by the Borrowers or by any Bank.
- 12.03 Each Bank shall reimburse the Agent for such Bank's share (proportional to its Contribution) of any charges and expenses incurred by the Agent in contemplation of, or in carrying out its duties under, or otherwise in connection with the enforcement of, or the preservation of any rights under, this Agreement, the Secured Promissory Note or the Security Documents, including the fees and expenses of legal or other professional advisors to the extent that such charges or expenses are not reimbursed by the Borrower or any other person.
- 12.04 The Agent shall have no responsibility (a) to the Borrowers on account of the failure of any Bank to perform its obligations hereunder or under any Security Document, or (b) to any Bank on account of the failure of the Borrowers to perform their obligations hereunder or under any of the Security Documents.
- 12.05 The Agent may, without any liability to account, accept deposits from, lend money to, and generally engage in any kind of banking or other business with the Borrowers or with the Banks as if it were not the Agent. With respect to its own Contribution, the Agent shall have the same rights and powers hereunder as any other Bank and may exercise the same as if it were not performing the duties and functions delegated to it as Agent.

- 12.06 The Agent is hereby irrevocably authorized by the Banks in their name and on their behalf to waive, modify, vary or otherwise amend or excuse performance of any provision set forth in, this Agreement, the Secured Promissory Note or the Security Documents, to enforce or take or refrain from taking any other action or proceeding with regard to this Agreement, the Secured Promissory Note or the Security Documents and to exercise all rights and remedies and discretions arising under this Agreement, the Secured Promissory Note or the Security Documents; provided, always, that the Agent shall be obliged to notify the Banks if it proposes to waive, modify, vary or otherwise amend or excuse performance of any provision set forth in, this Agreement, the Secured Promissory Note or the Security Documents or to enforce or take or refrain from taking any action under Clause 8 and the Agent shall not be entitled to proceed with such proposal unless the Majority Banks shall give written notice to the Agent agreeing to such proposal (and the Agent shall be entitled to cancel such proposal if such written notice is not received within three (3) Business Days of the Banks being so notified by the Agent); and provided, further, that any such proposed action with regard to the terms of the payment of interest, fees and commissions on, and principal of, the Loan shall only be taken by the Agent on behalf of the Banks if all the Banks confirm in writing to the Agent their agreement therewith. Subject to the provisions of this Agreement, the Secured Promissory Note and the Security Documents, the Agent agrees to act with respect to this Agreement, the Secured Promissory Note and the Security Documents in accordance with the written instructions of the Majority Banks subject to being indemnified to its satisfaction for any losses or expenses incurred in so acting.
- 12.07 The Agent shall be entitled to assume that each Bank is acting through the lending office set forth below such Bank's name on Schedule 1 and each Bank agrees to immediately notify the Agent of any change of such lending office.
- 12.08 The Agent may, with the consent of the Banks, cease to act as agent as aforesaid and the Banks shall then be permitted to appoint a substitute agent provided only the Borrowers shall not incur any increased costs hereunder by reason only of such appointment.

13. PRO-RATA SHARING

13.01 If any Bank at any time shall receive or recover (whether by way of voluntary or involuntary payment, by virtue of an exercise of its legal rights including but not limited to the right of set-off, counterclaim or otherwise howsoever) the whole or any part of any amounts due from the Borrowers to such Bank or to the Agent on behalf of such Bank hereunder otherwise than by distribution from the Agent under the terms of this Agreement, then:-

- (a) such Bank (the "Paying Bank") shall (and is hereby irrevocably authorised by the Borrowers to) promptly, and in any event within five (5) Business Days of such receipt or recovery, pay to the Agent the full amount or (as the case may be) an amount equal to the equivalent of the full amount so received or recovered after deducting any expenses incurred by the Paying Bank in obtaining such amounts;
- (b) as between the Borrowers on the one hand and the Paying Bank on the other, the Borrowers shall (save to the extent of any amount available for distribution to the Paying Bank pursuant to sub-clause (c) hereof) remain or again become indebted to the Paying Bank hereunder in the amount so paid as if it had not been received or recovered as aforesaid; and
- (c) the Agent shall treat the amount so paid as if it were a payment by the Borrowers on account of amounts due from the Borrowers hereunder for distribution to the Paying Bank and each of the other Banks in the proportions in which the Paying Bank and the other Banks would have been entitled to receive such amount had it been paid by the Borrowers to the Agent hereunder,

Provided that,

- (a) a Paying Bank which shall have commenced or joined (as a plaintiff) in an action or proceeding in any court to recover sums due to it under this Agreement and pursuant to a judgment obtained therein or a settlement or compromise of that action or proceeding shall have received any amount, shall not be required to share any proportion of that amount with a Bank which has the legal right to,

but does not, join such action or proceeding or commence and diligently prosecute a separate action or proceeding to enforce its rights in the same or another court; and

- (b) every payment and adjustment made pursuant to this Clause shall be subject to the condition that if the amount (or any part thereof) subsequently fails to be repaid by the Paying Bank to the Borrowers, or any third person, as the case may be, the Agent (if it holds the same) and each of the Banks who has received any part thereof from the Agent shall repay such amount (or the relevant part, as the case may be) to the Paying Bank together with such amount (if any) as is necessary to reimburse the Paying Bank the appropriate portion of any interest it shall have been obliged to pay when repaying such amount as aforesaid and the relevant adjustment pursuant to this sub-clause shall be cancelled.

Each Bank exercising any rights giving rise to a receipt or receiving any payment of the type referred to in this Clause 13.01 or instituting legal proceedings to recover sums owing to it under this Agreement shall, as soon as reasonably practicable thereafter, give notice thereof to the Agent who shall give notice to the other Banks.

14. ASSIGNMENT

14.01 The Borrowers may not assign their rights or obligations hereunder.

14.02 Each of the Banks shall be entitled at any time to perform its obligations under this Agreement through any branch of it other than its branch specified herein and, in such case, the benefit of this Agreement shall inure for the benefit of the relevant Bank at that branch provided always that such Bank shall notify the rest of the Banks and the Borrowers of the address of the branch through which it will thenceforth be acting.

14.03 The Borrowers shall not be obliged to pay for the account of any successor or assignee of a Bank or as a result of the transfer to any branch other than the branch specified in Schedule 1, any greater amount (or in the case of any partial assignment, a proportionately greater amount) than it would have been obliged to pay under this Agreement for the account of that Bank if no assignment or transfer had taken place.

14.04 Each Bank shall be entitled at any time to transfer the whole or any part of its rights and obligations under this Agreement to any subsidiary or holding company of such Bank or to any subsidiary of such holding company or to a central bank or monetary or regulatory authority having jurisdiction over the head office of the relevant Bank or, with the prior written consent of the Borrowers and the Agent (which consent shall not be unreasonably withheld), any other bank or lending institution whatsoever provided always that the Borrowers shall not be bound by any such transfer until they shall have received written notice of the same from the Bank so transferring. Each of the Banks shall be entitled to disclose on a confidential basis to any such other bank or financial institution all relevant information in connection with this Agreement and the transactions contemplated hereby and the parties hereto as shall have been made available to the Banks generally.

14.05 Where any moneys shall be due to a transferee Bank as a result of any transfer hereunder, the Agent shall have as agent of such transferee Bank the same rights and remedies against the Borrowers or any other person as such transferee Bank would have had in the absence of such agency.

14.06 The Borrowers shall execute and deliver such supplements and/or amendments to the Security Documents as the Agent may request in order to maintain the security interests intended to be granted hereby and by the Security Documents in favour of the Banks including any successor or assignee of a Bank. The reasonable costs and expenses of the Borrowers incurred in their performance of this Clause 14.06 shall be paid by the transferring Bank.

15. MISCELLANEOUS

15.01 The Borrowers shall pay to the Agent for distribution to the Banks according to separate agreement an arrangement fee in the amounts as set forth in Schedule 1 on the Closing Date.

15.02 The Borrowers shall pay to the Agent on behalf of the Banks on demand all costs, fees and expenses (including, but not limited to, legal fees and expenses, travel expenses, shipbrokers, aircraft brokers and railcar brokers' fees) and Taxes thereon incurred by the Banks in connection with:

- (a) the negotiation, preparation and execution of this Agreement, the Secured Promissory Note and the Security Documents;
- (b) preserving or enforcing or attempting to preserve or enforce any of the rights of the Banks under this Agreement, the Secured Promissory Note and the Security Documents;
- (c) except as expressly provided in Clause 12.06 any amendment or supplement to or consent or waiver required from the Agent or any of the Banks of any of the terms of this Agreement, the Secured Promissory Note and the Security Documents; and
- (d) any brokers, surveyors or appraisers appointed by the Agent as may be required by the Agent to enable the Agent to perform any of the terms of this Agreement.

The Borrowers shall also pay or indemnify the Banks against all stamp, documentary and other like duties and Taxes to which this Agreement and the Security Documents may be subject or give rise.

15.03 The Borrowers hereby authorize each of the Banks (without prior notice) to combine any and all accounts held by any of the Borrowers and to apply any credit balances (whether or not then due) which is at any time held by any of the Banks for the account of any of the Borrowers at any office of any of the Banks in or towards satisfaction of any sum then due from any of the Borrowers to the Banks under this Agreement and unpaid. For that purpose, each of the Banks is authorized to use all or any part of such credit balance to buy such other currencies as may be necessary to effect such application.

15.04 Any notice, demand or other communication to be given under or for the purposes of this Agreement shall be in writing (including telex) and shall be treated as properly served or given if hand-delivered or sent by first class prepaid mail (airmail if appropriate) or telex,

if to the Borrowers, to

PLM Income Advantage Fund
655 Montgomery Street
San Francisco, California
Attention: J. Herbert Gaul

Telex: 34430
Telecopy: (415) 433-9152

with a copy to:

PLM Financial Services, Inc.
655 Montgomery Street
San Francisco, California
Attention: J. Herbert Gaul

Telex: 34430
Telecopy: (415) 433-9152

if to the Banks to:

Bergen Bank A/S
Kirkegaten 23
0153 Oslo 1
Norway

Attention: Loan Administration

Telex: 400640
Telecopy: 47-2-336901

with a copy to:

Haight, Gardner, Poor & Havens
195 Broadway
New York, New York 10007

Attention: Thomas J. Whalen, Esq.

Telex: 177190
Telecopy: (212) 385-9010/9011

15.05

A certificate or determination or notification of the Agent or any Bank as to any matter provided for in this Agreement, the Secured Promissory Note or any of the Security Documents, in the absence of manifest error,

shall be conclusive and binding on the Borrowers, the Agent and the other Banks, as the case may be.

- 15.06 This Agreement shall be binding upon and inure to the benefit of the Banks, the Agent, and the Borrowers and their respective successors and permitted assigns and references in this Agreement to any of them shall be construed accordingly.
- 15.07 Time shall be of the essence of this Agreement. No delay or omission on the part of any of the Banks or the Agent in exercising any right, power or remedy under this Agreement shall impair such right, power or remedy or be construed as a waiver thereof or of any other right, power or remedy.
- 15.08 If at any time any one or more of the provisions in this Agreement is or becomes invalid, illegal or unenforceable in any respect under any law or regulation, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be in any way affected or impaired thereby.
- 15.09 This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York. In relation to any dispute arising out of or in connection with this Agreement, the Secured Promissory Note or any Security Document, and for the exclusive benefit of the Agent and the Banks, the Borrowers hereby irrevocably and unconditionally submit to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York, and to the non-exclusive jurisdiction of any court of the State of New York located in the City and County of New York, for the purposes of any suit, action or other proceeding arising out of, or relating to, this Agreement or any of the transactions contemplated hereby, and hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, that they are not personally subject to the jurisdiction of the above named courts for any reason whatsoever, that such suit, action or proceeding is brought in an inconvenient forum, or that the venue of such suit, action or proceeding is improper, or that this Agreement or the subject matter hereof may not be enforced in or by such courts. The Borrowers hereby agree that process against them may be served by delivery of service of process in any of the aforementioned actions, suits or proceedings at CT Corporation Systems, 1633 Broadway, New York, New York, 10019 (such agent being hereinafter called the "Process

Agent"), which the Borrowers hereby irrevocably designate and appoint as their attorney-in-fact to receive service of process in any action, suit or proceeding with respect to any matter as to which they submit to jurisdiction as set forth above, they being agreed that service to such office or upon such attorney-in-fact shall constitute valid service upon the Borrowers. The Borrowers hereby direct the Process Agent to receive and accept such process on their behalf. The Borrowers shall promptly notify the Agent of any change in the address of the Process Agent and may, by notice given to the Agent change the identity of their Process Agent; provided, however, that if the Process Agent shall at any time cease to exist, the Borrowers shall forthwith designate a successor Process Agent and shall give prompt notice of such designation to the Agent. The foregoing shall not preclude service of process in any other manner permitted by applicable law or prohibit the Agent or the Banks from commencing legal proceedings against the Borrowers or any of their properties in any other jurisdiction.

- 15.10 The obligations of the Borrowers under this Agreement shall remain in full force and effect until the Banks shall have received all amounts due or to become due to them hereunder in accordance with the terms hereof.
- 15.11 This Agreement may be executed in counterparts each of which shall be deemed an original and all of which, taken together, shall constitute but one and the same instrument which may be sufficiently evidenced by one counterpart.
- 15.12 EACH OF THE BORROWERS, THE GENERAL PARTNER, THE OWNER'S PARTNER AND EACH OF THE BANKS HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE SECURED PROMISSORY NOTE, THE SECURITY DOCUMENTS OR ANY OTHER DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.
- 15.13 In acting hereunder, the General Partner acts solely as General Partner for PLM and all persons having any claim against the General Partner by reason of the transactions contemplated hereby shall look only to the assets of PLM, the Trust Estate, and the Owner including but not limited to the Equipment for payment or satisfaction thereof, except for any misrepresentation in respect of a representation and warranty or breach of any covenant made by such General Partner for or on its own behalf.

15.14 First Security Bank of Utah, National Association is entering into this Agreement solely in its capacity as Owner Trustee under the Trust Agreement, and except as expressly provided herein, it shall not be personally liable for or on account of statements, representations, warranties, covenants or obligations of the Owner Trustee hereunder, provided, however, that it shall be liable in its individual capacity in the case of an inaccuracy of its representations contained in Clause 6.03 hereof.

IN WITNESS WHEREOF, the parties hereto have executed
this Agreement on the day and year first before written:

BERGEN BANK A/S

By _____
Title:

PLM INCOME ADVANTAGE FUND,
(A California Limited Partnership)

By: PLM Financial Services, Inc.,
General Partner

By _____
Authorized Officer

PLM FINANCIAL SERVICES, INC.,
General Partner of PLM Income
Advantage Fund

By _____
Authorized Officer

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION, not in its
individual capacity (except as
otherwise expressly provided
herein) but solely as Owner Trustee

By _____
Title:

DOROTHY M., Limited Partnership
(a California Limited Partnership)

By: DOROTHY M., INC.
General Partner

By _____
Authorized Officer

DOROTHY M., INC.
General Partner of Dorothy M.,
Limited Partnership

By _____
Authorized Officer

Schedule 1

<u>Name</u>	<u>Amount of Contribution</u>	<u>THE BANKS</u> <u>Percentage of Contribution</u>	<u>Arrangement Fee</u>
Bergen Bank A/S	\$32,737,000	100%	\$40,921.25
Kirkegaten 23			
0153 Oslo, Norway			

Schedule 2

THE RAILCARS

DESCRIPTION OF THE COLLATERAL
(including road numbers)

Description of Railcars: 450 Pullman - standard 53'1" 100 ton
all steel high side fixed end
gondolas, 4,000 cubic foot capacity

Road Numbers: All DEEX

6106-6113	
6115-6134	
6136-6137	6430-6445
6139-6149	6447-6460
6151-6153	6462-6477
6155-6162	6479-6498
6164-6199	6500-6502
6201-6219	6504-6510
6221-6254	6512-6518
6256-6268	6520-6524
6270	
6272-6273	6527-6530
6276-6292	6533-6545
6294-6297	
6299-6302	6547-6554
	6556-6560
6305-6310	6562-6565
6312-6321	6567-6574
6323	6576-6582
6325-6340	6584-6593
6342-6358	8001-8007
6360-6366	
6368-6374	
6376-6393	
6395-6403	
6405-6427	

Schedule 3

	STIPULATED LOSS VALUE
Aircraft	\$15,127,000
Vessel	\$11,250,000
Railcars	\$21,300 per car

THIS AIRCRAFT MORTGAGE, SECURITY AGREEMENT AND ASSIGNMENT OF LEASE is entered into as of April 12, 1989, between (i) FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, not in its individual capacity but solely as owner trustee under that certain Trust Agreement dated as of February 24, 1988, as amended (the "Trust Agreement"), for the benefit of PLM Income Advantage Fund, a California limited partnership (the "Debtor") and (ii) BERGEN BANK A/S, a banking organization operating under the laws of Norway, as agent for itself and the banks (the "Banks") listed on Schedule 1 to the Loan Agreement (as defined below) (the "Secured Party").

RECITALS

A. The Debtor is the owner of one Boeing 737-200A aircraft, Manufacturer's Serial Number 22279, United States Registration No. N368DE (as more fully described and defined below, the "Aircraft").

B. The Debtor has leased the Aircraft to Delta Air Lines, Inc. pursuant to an Aircraft Lease Agreement (as more fully described and defined below, the "Lease") dated as of May 31, 1985, as amended.

C. The Lease was duly filed for (as defined below, the "Lease") recordation with the Federal Aviation Administration on March 7, 1988 and thereafter duly recorded on March 7, 1988 under Conveyance No. AA36462.

D. PLM Income Advantage Fund ("PLM"), Dorothy M., Limited Partnership ("DMLP") and the Debtor (collectively the "Borrowers"), and PLM Financial Services, Inc., General Partner of PLM, and Dorothy M. Inc., General Partner of DMLP, are entering into a Loan Agreement (the "Loan Agreement") dated as of the date hereof with the Secured Party pursuant to which the Secured Party has agreed to make a loan of Thirty-Two Million, Seven Hundred, Thirty-Seven Thousand United States Dollars (US \$32,737,000) (the "Loan") to the Borrowers.

E. To induce the Secured Party to make the Loan to the Borrowers, the Debtor has agreed to grant to the Secured Party for the benefit of the Banks a first priority security interest in the Aircraft and the Lease, pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the premises and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

As used in this Agreement, the following terms shall have the following definitions:

"Agreement" shall mean this Aircraft Mortgage, Security Agreement and Assignment of Lease, any concurrent or subsequent exhibits or schedules to this Aircraft Mortgage, Security Agreement and Assignment of Lease, and any extensions, supplements, amendments or modifications to this Aircraft Mortgage, Security Agreement and Assignment of Lease, and/or to any such exhibits or schedules.

"Aircraft" shall mean and include: the Airframe, the Engines (or any Replacement Engine as such term is defined in the Lease), whether or not any of such initial or substituted engines may from time to time be installed on the Airframe or may be installed on any other airframe, any spare part delivered with the Aircraft, all logs, manuals, and other records with respect to the Aircraft, and all substitutions, replacements and renewals of any and all thereof.

"Airframe" shall mean that certain airframe Boeing 737-200A, Manufacturer's Serial No. 22279, United States Registration No. N368DE, together with any and all parts, appliances, components, instruments, accessories, accessions, attachments, equipment, or avionics (including, without limitation, radio, radar, navigation systems, or other electronic equipment) installed in, appurtenant to, or delivered with or in respect of such airframe.

"Borrowers" shall mean PLM, the Debtor and Dorothy M., Limited Partnership.

"Collateral" shall mean and include all right, title and interest of the Debtor to and in each and all of the following: (i) the Airframe; (ii) the Engines; (iii) any lease of the Aircraft including, but not limited to, the Lease, and including, but not limited to, the Debtor's right to receive, either directly or indirectly, from any party or person, any rents or other payments due under such agreement(s); (iv) any money or other assets of the Debtor which now or hereafter come into the possession, custody or control of the Secured Party constituting proceeds of the Collateral; (v) that certain bank account maintained by PLM at Security Pacific National Bank, Los Angeles, California, ABA #122000043, PLM Income Advantage, Account No. 512-827335; (vi) all of Debtor's right, title and interest in the Purchase Price, as defined in the Repurchase Guaranty (the "Repurchase Guaranty"), dated as of April 12, 1989,

by PLM International Inc. in favor of the Banks, and any moneys received under the Repurchase Guaranty; and (vii) the proceeds of any of the foregoing items (i) through (vi), including, but not limited to, proceeds of insurance covering the Airframe, the Engines, and/or any other portion of the Collateral, and any and all accounts, general intangibles, contract rights, inventory, equipment, money, drafts, instruments, deposit accounts, or other tangible and intangible property of the Debtor resulting from the sale or lease (authorized or unauthorized) or other disposition of the Collateral, or any portion thereof, and the proceeds of such proceeds.

"Engines" shall mean the two Pratt and Whitney Model JT8D-15 engines bearing manufacturer's serial numbers 688690 and 702974, and any other aircraft engines which either now or in the future are installed on, appurtenant to, or delivered with or in respect of the Airframe, together with any and all parts, appliances, components, accessories, accessions, attachments or equipment installed on, appurtenant to, or delivered with or in respect of such engines. The term "Engines" shall also refer to any substitute or replacement Engine which is installed upon the Airframe and as to which the Debtor complies with each of the applicable requirements contained in this Agreement.

"Event of Default" shall mean and include the occurrence of any one or more of the events of default set forth in Section 4.01 of this Agreement.

"FAA" shall mean and refer to the United States Federal Aviation Administration, or any successor or replacement administration or governmental agency having the same or similar authority and responsibilities.

"Fundamental Agreements" shall mean this Agreement, the Loan Agreement, the Note, the Lease, the Consent, and all other Security Documents as defined in the Loan Agreement, as originally executed and as the same may from time to time be supplemented or amended.

"Identification Plaque" shall mean the Identification Plaque, as specified in Section 3.02(b) of this Agreement which shall read as follows, or in such form as subsequently specified by the Secured Party: This Aircraft/Engine is owned by First Security Bank of Utah, National Association, as owner trustee, lessor. The Aircraft/Engine is subject to a first priority mortgage in favor of Bergen Bank A/S.

"Insolvency Proceeding" shall mean and include any proceeding commenced by or against any person or entity, under any provision of the federal Bankruptcy Code, as amended or under

any other bankruptcy or insolvency law, including, but not limited to, assignments for the benefit of creditors, formal or informal moratoriums, compositions or extensions with some or all creditors.

"Judicial Officer or Assignee" shall mean and include any trustee, receiver, controller, custodian, assignee for the benefit of creditors or any other person or entity having powers or duties like or similar to the powers and duties of a trustee, receiver, controller, custodian or assignee for the benefit of creditors.

"Lease" shall mean the Aircraft Lease Agreement dated as of May 31, 1985, between GPA Leasing (N.A.) N.V., a predecessor in interest to the Debtor, as Lessor, and Western Air Lines, Inc., a predecessor in interest to Delta Air Lines, Inc., as Lessee, as amended by a First Amendment, dated as of September 2, 1987, to the Aircraft Lease Agreement, as amended by an Assignment and Consent to Assignment, dated as of March 3, 1988 and as amended by an Assignment and Assumption Agreement, dated as of December 30, 1988 and any extensions, supplements, amendments or modifications thereto permitted by the terms thereof.

"Lessee" shall mean Delta Air Lines, Inc., a Delaware corporation and its successors and assigns.

"Loan Agreement" shall mean the Loan Agreement dated as of the date hereof between the Borrowers and the Secured Party, as lenders, a copy of which is attached hereto as Exhibit 1 and made a part hereof, together with any and all concurrent or subsequent exhibits, schedules, extensions, supplements, amendments or modifications thereto.

"Note" shall mean the secured promissory note dated the date hereof from the Borrowers to the Secured Party to evidence the Loan in the principal amount stated therein, a copy of the form of which is attached as Exhibit G to the Loan Agreement and made a part hereof.

"Notice" shall mean the Notice and Acknowledgement of Assignment dated as of the date hereof by the Lessee for the benefit of the Secured Party, in the form attached hereto as Exhibit A.

"Obligations" shall mean and include any and all loans, advances, overdrafts, debts, liabilities, obligations owing by the Borrowers to the Secured Party, including, without limitation, any and all amounts evidenced by the Note and the Loan Agreement and any amounts charged to the Borrowers' account

by the Secured Party pursuant to any present or future agreement authorizing the Secured Party to so charge such account, any and all interest which is not paid when due, and any and all Secured Party Expenses which any Borrower is required to pay or reimburse by this Agreement, by law, or otherwise, or under covenants and duties owing by the Borrowers to the Secured Party, of any kind or description, arising out of or in connection with, or related to the transactions contemplated by the Loan Agreement, the Note, this Agreement, and/or any other agreement(s) between the Borrowers and the Secured Party entered into in connection therewith, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

"PLM" means PLM Income Advantage Fund, a California limited partnership and its permitted successor and assigns.

"Secured Party Expenses" shall mean and include (i) all costs or expenses which the Debtor and/or the Borrowers are required to pay or cause to be paid under this Agreement or the Loan Agreement and which are paid or advanced by the Secured Party pursuant to the provisions of this Agreement; (ii) all taxes and insurance premiums of every nature and kind which the Debtor and/or the Borrowers are required to pay or cause to be paid under this Agreement or the Loan Agreement and which are paid or advanced by the Secured Party pursuant to the provisions of this Agreement; (iii) all filing, recording, publication and search fees paid or incurred by the Secured Party in connection with the transactions contemplated by this Agreement and/or the Loan Agreement; (iv) all costs and expenses paid or incurred by the Secured Party (with or without suit), to correct any default or enforce any provisions of this Agreement, the Loan Agreement, the Note, the other Security Documents or in gaining possession of, maintaining, handling, preserving, storing, refurbishing, appraising, selling, preparing for sale and/or advertising to sell the Collateral, whether or not a sale is consummated; (v) all costs and expenses of suit paid or incurred by the Secured Party in enforcing, or defending this Agreement, the Loan Agreement, the Note, the other Security Documents or any portion of any thereof; and (vi) attorneys' fees and expenses paid or incurred by the Secured Party in advising, structuring, drafting, reviewing, amending, terminating, enforcing, defending or concerning this Agreement, the Loan Agreement, the Note, the other Security Documents or any portion of any thereof, whether or not suit is brought, and including any action brought in any Insolvency Proceeding.

Capitalized terms used herein and not otherwise defined herein are used as defined in the Loan Agreement.

ARTICLE II
CREATION OF SECURITY INTEREST

Section 2.01 Security Interest in Collateral and Assignment. The Debtor does hereby sell, assign, transfer and set over to the Secured Party and its successors and assigns for the benefit of the Banks, and does hereby grant to the Secured Party and its successors and assigns for the benefit of the Banks, a continuing first priority security interest in and lien upon the Collateral in order to secure prompt repayment of any and all Obligations owed by the Borrowers to the Secured Party and in order to secure prompt performance of any and all other Obligations to be performed by the Borrowers. The Secured Party's security interest in, lien upon, and rights under, the Collateral shall attach to all of the Collateral upon the execution and delivery of this Agreement, without further act being required on the part of either the Secured Party or the Debtor (the Debtor, concurrently with the delivery hereof, having delivered to the Secured Party the "Debtor's Original" counterpart of the Lease).

Section 2.02 Security Instruments; Further Assurances. The Debtor will perform, or will cause to be performed, upon the request of the Secured Party, each and all of the following:

- (i) Cause the Lessee to execute the Notice.
- (ii) Record, register and file this Agreement, as well as such notices, financing statements, and/or other documents or instruments as may, from time to time, be requested by the Secured Party to fully carry out the intent of this Agreement, with (a) the FAA; (b) the State of California, and the States of Delaware and Utah; and (c) such other administrations or governmental agencies as may be determined by the Secured Party to be necessary or advisable in order to perfect, establish, confirm, maintain and/or perfect the security interest and lien created hereunder, as a legal, valid, and binding security interest and lien upon the Collateral.
- (iii) Furnish to the Secured Party evidence of every such recording, registering and filing.
- (iv) Execute and deliver or perform, or cause to be executed and delivered or performed, such further and other instruments and/or acts as the Secured Party determines are necessary or required to fully carry out the intent and purpose of this Agreement or to subject the Collateral to the security interest and lien created hereunder including without limitation:
 - (a) any and all acts and things which may be reasonably requested by the Secured Party with respect to complying with or remaining

subject to the laws and regulations of the FAA and with regard to the maintenance of the Collateral; and (b) defending the title of the Debtor to the Collateral by means of negotiation and, if necessary, appropriate legal proceedings, against each and every party claiming an interest therein contrary or adverse to the Debtor's title to same.

Section 2.03 Power of Attorney. The Debtor hereby irrevocably appoints the Secured Party as its attorney-in-fact and agent with full power of substitution and re-substitution for the Debtor and in its name to do, at the Secured Party's option, any one or more of the following acts, upon the occurrence of an Event of Default: (i) to endorse the name of the Debtor on any checks or other instruments or evidences of payment or other documents, drafts, or other instruments arising in connection with or pertaining to the Collateral, to the extent that any such items come into the possession of the Secured Party; (ii) to compromise, prosecute or defend any action, claim, or proceeding concerning the Collateral; (iii) to do any and all acts which the Debtor is obligated to do under this Agreement; (iv) to exercise such rights as the Debtor might exercise relative to the Collateral, including, without limitation, altering the particulars of registration with the FAA (including cancelling the registration in the United States), the leasing, chartering, or other utilization thereof; (v) to give notice of the Secured Party's security interest in and lien upon the Collateral, including, without limitation, notification to lessees and/or other account debtors of the Secured Party's security interest in the rents and other payments due to Debtor relative to the Collateral, and the collection of any such rents or other payments; and (vi) to execute in the Debtor's name and file any notices, financing statements, and other documents or instruments the Secured Party determines are necessary or required to fully carry out the intent and purpose of this Agreement or to perfect the Secured Party's security interest and lien in and upon the Collateral. The Debtor hereby ratifies and approves all that the Secured Party shall do or cause to be done by virtue of the power of attorney granted in this Section 2.03 and agrees that neither the Secured Party, nor any of its employees, agents, officers, or its attorneys, will be liable for any acts or for any error of judgment or mistake of fact or law made while acting pursuant to the provisions of this Section 2.03 and in good faith. The appointment of the Secured Party as the Debtor's attorney-in-fact, and each and every one of the Secured Party's rights and powers in connection therewith, being coupled with an interest, are and shall remain irrevocable until all of the Debtor's Obligations have been fully paid and performed.

Section 2.04 The Debtor Liable. It is expressly agreed that anything herein contained to the contrary notwithstanding, the Debtor shall remain liable under the Lease to perform all of the obligations assumed by it thereunder all in accordance with and pursuant to the terms and provisions thereof, and the Secured Party shall have no obligation or liability under the Lease solely by reason of or arising out of this Agreement, nor shall the Secured Party be required or obligated in any manner to perform or fulfill any obligations of the Debtor under or pursuant to the Lease or, except as herein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

ARTICLE III
REPRESENTATIONS, WARRANTIES, AND COVENANTS OF DEBTOR

Upon execution of and delivery of this Agreement, and continually thereafter until each and all the Debtor's and/or the Borrowers' Obligations have been fully paid and performed, the Debtor represents, warrants, and covenants to the Secured Party as follows:

Section 3.01 Compliance with Laws. The Debtor will neither use the Collateral, nor permit the Collateral to be used, for any unlawful purpose or contrary to any statute, law, ordinance or regulation relating to the registration, use, operation or control of the Collateral. The Debtor will comply with, or cause to be complied with, at all times and in all respects, all statutes, laws, ordinances and regulations of the United States (including, without limitation, the FAA), and of all other governmental, regulatory, or judicial bodies applicable to the use, operation, maintenance, overhauling, or condition of the Collateral, or any part thereof, and with all requirements under any licenses, permits, or certificates relating to the use or operation of the Collateral which are issued to the Debtor or to any other person having operational control of the Collateral.

Without limiting the generality of the foregoing, the Debtor agrees that at no time during the effectiveness of this Agreement shall the Aircraft be operated in, located in, or relocated to, by the Debtor, Lessee or any other person or entity, any jurisdiction other than as permitted by the terms and provisions of the Lease. The foregoing authority to use the Aircraft to the contrary notwithstanding, at no time shall the Aircraft be operated in or over any area which may expose the Secured Party to any penalty, fine, sanction or other liability, whether civil or criminal, under any applicable law, rule, treaty

or convention, nor may the Aircraft be used in any manner which is or is declared to be illegal and which may thereby render the Aircraft liable to confiscation, seizure, detention or destruction.

Section 3.02 Maintenance and Repair.

(a) During the effectiveness of this Agreement, the Debtor shall, at its expense, do or cause to be done each and all of the following:

(i) Maintain and keep the Collateral in as good condition and repair as it is on the date of this Agreement, ordinary wear and tear excepted;

(ii) Maintain and keep the Collateral in good order and repair and airworthy condition in accordance with the requirements of each of the manufacturers' manuals and mandatory service bulletins which relate to airworthiness;

(iii) Replace in or on the Airframe, any and all engines, parts, appliances, instruments or accessories which may be worn out, lost, destroyed or otherwise rendered unfit for use;

(iv) Without limiting the foregoing, cause to be performed, on all parts of the Aircraft, all applicable mandatory Airworthiness Directives, Federal aviation Regulations and Special Federal Aviation Regulations, the compliance date of which shall occur during the term of this Agreement;

(b) The Debtor shall be responsible for all required inspections of the Aircraft and licensing or re-licensing of the Aircraft in accordance with all applicable FAA and other governmental requirements. The Debtor shall at all times cause the Aircraft to have, on board and in a conspicuous location, a current Certificate of Airworthiness issued by the FAA. The Debtor shall attach or cause to be attached to the Aircraft, in a location reasonably adjacent to and not less prominent than the current Certificate of Airworthiness, the Identification Plaque and to the Engines, the Identification Plaque for the Engines.

(c) All inspections, maintenance, modifications, repairs, and overhauls of the Aircraft (including those performed on the Airframe, the Engines and/or any components, appliances, accessories, instruments, or equipment) shall be performed in accordance with the terms and provisions of the Lease.

(d) In the event that during the effectiveness of this Agreement, the Lessee shall be required or permitted to install upon the Airframe or any Engine components, appliances, accessories, instruments, engines, equipment or parts in permanent replacement of those then installed on the Airframe or such Engine, or Lessee shall convey to Lessor a substitute or replacement Engine as permitted by Articles 7 or 17.2 of the Lease, the Debtor shall do all things necessary to assure that:

(i) The Secured Party is not divested of its security interest in and lien upon any item removed from the Aircraft and that no such removed item shall be or become subject to the lien or claim of any person unless and until such item is replaced by an item of the type and condition required by this Agreement, title to which, upon its being installed or attached to the Airframe is validly vested in Debtor, free and clear of any liens and/or claims, of any kind or nature, of any person other than the Secured Party and other than under the Lease;

(ii) The Debtor's title to every substituted item shall immediately be and become subject to the security interest and lien of the Secured Party, and each of the provisions of this Agreement, and each such item shall remain so encumbered and so subject unless it is, in turn, replaced by a substitute item in the manner permitted herein;

(iii) If an item is removed from the Aircraft and replaced in accordance with the requirements of this Agreement, and if the substituted item satisfies the requirements of this Agreement, including the terms and conditions of subsections (i) and (ii) hereinabove, then the item which is removed shall thereupon, and only thereupon be free and clear of the security interest and lien of the Secured Party.

(e) In the event that any engine, component, appliance, accessory, instrument, equipment or part is installed upon the Airframe, and is not in substitution for or in replacement of an existing item, such additional item shall be considered as an accession to the Airframe.

(f) The Debtor hereby covenants and agrees to comply with all of the maintenance terms, conditions and requirements set forth in Article 7 of the Lease, and to the extent that this Agreement provides for additional maintenance terms, conditions and requirements over and above the maintenance terms, conditions and requirements of the Lease, the maintenance terms, conditions and requirements of this Agreement shall apply.

Section 3.03 Insurance. The Debtor will at all times, at its own cost and expense, maintain, or cause to be maintained, a policy of insurance with respect to the Collateral, in accordance with the following provisions:

(a) With respect to the use and operation of the Aircraft, a policy or policies of insurance covering such risks, providing such degree of protection in such amounts and with such insurers as are acceptable to the Secured Party, including but not limited to (i) third party aircraft legal liability insurance, passenger legal liability insurance and property damage liability insurance in such amounts as are acceptable to the Secured Party, (ii) all-risk ground and flight aircraft hull insurance coverage covering the Aircraft, and (iii) fire, transit and extended coverage with respect to any Engine included in the Aircraft and, in each case, parts while removed from the Aircraft, such coverages to include, without limitation, hijacking (air piracy), fire, lightning, strikes, civil commotion, labor disturbances, war risk and kindred perils, governmental confiscation, detention, seizure, nationalization, restraint, appropriation, requisition, expropriation and other similar governmental action (excluding any such governmental action by the country of registration). Such insurance shall be for an amount payable in U.S. Dollars equal to the greater of (x) the then full commercial value of the Aircraft or (y) the amount required to be paid pursuant to Clause 4.02 of the Loan Agreement.

(b) The Debtor will name the Secured Party or cause the Secured Party to be named as an additional insured party on all policies of liability insurance, and as the loss payee, on all policies of casualty and war risk insurance. The Debtor shall cause all parties who may have an interest in the proceeds of such policies to acknowledge, in writing, that the Secured Party has a prior interest in such proceeds. Each and every such policy shall (i) provide that in respect of the interests of the Secured Party in such policies, such insurance shall not be invalidated by any action or inaction of the Debtor or the Secured Party or any other person and shall insure the Secured Party regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Debtor or the Secured Party or any other person; (ii) provide that, if such insurance is cancelled for any reason whatever, or any material change is made in policy terms or conditions, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Secured Party for 30 days (7 days or such other period as may from time to time be customarily obtainable in the industry in case of any war risk and allied perils coverage if 30 days is not obtainable) after receipt by it of written notice from such

insurers or their authorized representatives of such cancellation, change or lapse; (iii) provide that such insurers shall hold harmless and waive any rights of subrogation against the Secured Party; (iv) be primary without right of contribution from any other insurance which is carried by the Secured Party; (v) waive any rights of setoff, counterclaim or other deduction against the Secured Party; (vi) provide that the Secured Party shall have no obligation or liability for premiums, commissions, assessments or calls in connection with such insurance; (vii) provide that all the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering the Secured Party; and (viii) in respect to casualty and war risk insurance, shall provide that proceeds shall be paid to the Secured Party so long as this Agreement is in effect for distribution to the parties.

(c) On or before the Closing Date and on or within 30 days after the renewal date of any insurance policy required hereunder, the Debtor shall provide the Secured Party with certifications by a firm of independent aircraft insurance brokers acceptable to the Secured Party with respect to the types, amounts and policy numbers of insurance in effect as of the date of execution and delivery of this Agreement and certifying that in the opinion of such firm the insurance then carried and maintained complies with the terms of this Section 3.03.

(d) In the event that the Debtor should, for any reason, fail to renew or cause to be renewed any such policy or contract of insurance, the Secured Party shall have the option to pay the premiums on any such policy or contract of insurance, or to take out new insurance in such amounts, types, coverages, and terms as the Secured Party may determine to be prudent, and any sums paid therefore shall constitute Secured Party Expenses, shall be payable by the Debtor on demand, and shall be added to and be a part of and included in the Obligations.

(e) The Debtor shall not use or permit the Collateral to be used in any manner or for any purpose excepted from or contrary to the requirements of any insurance policy or policies required to be carried and maintained hereunder or for any purpose excepted or exempted from or contrary to said insurance policies, and do any other act or permit anything to be done which could reasonably be expected to invalidate or limit any such insurance policy or policies.

(f) The Debtor hereby covenants and agrees to comply with all of the insurance terms, conditions and requirements as provided in Article 11 of the Lease, and, to the extent that this Agreement provides for additional insurance terms, conditions and

requirements over and above the insurance terms, conditions and requirements of the Lease, the insurance terms, conditions and requirements of this Agreement shall apply.

Section 3.04 Further Representations, Warranties, and Covenants. The Debtor further represents, warrants, and covenants with the Secured Party as follows:

(a) To pay, or cause to be paid, when due, all taxes, assessments, charges (including license and registration fees and all taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon) imposed upon the Debtor by any federal, state or local government or taxing authority upon or with respect to the Collateral or any portion thereof, or upon the purchase, ownership, delivery, leasing, possession, use, operation, return or other disposition thereof, or upon the rentals, receipts or earnings arising therefrom, or upon or with respect to this Agreement, or any of the other agreements relating hereto, excepting from such requirements any taxes or charges which are based on, or measured by, the net income of the Secured Party or any taxes or charges that are being contested in good faith and by appropriate proceedings so long as such non-payment does not result in the arrest, detention or forfeiture of title to the Vessel;

(b) At any reasonable time, on demand by the Secured Party, to cause the Collateral (including the logs, books, manuals, and records comprising the Collateral) to be exhibited to the Secured Party (or persons designated by the Secured Party) for purposes of inspection and copying;

(c) The Debtor holds, or concurrent with the transactions contemplated by this Agreement, will hold, a good and marketable title in the Aircraft subject and subordinate to this Agreement and subject to the Lease;

(d) To keep accurate and complete logs, manuals, books, and records relating to the Collateral, and provide the Secured Party with copies of reports and information relating to the Collateral as the Secured Party may reasonably require from time to time;

(e) Except upon the prior written consent of the Secured Party, which shall not be unreasonably withheld, the Debtor shall not sell or otherwise dispose of or transfer the Collateral, or alter the registration particulars of the Aircraft, or any right or interest of the Debtor therein;

(f) To suffer or permit any security interest, lien, charge or other encumbrance to attach to or exist relative to the Collateral except for the Lease and this Agreement, whether voluntarily or involuntarily, and whether by issuance of judicial process, levy or otherwise, until all of the Obligations have been completely discharged; provided, however, that this subsection shall not prohibit the Lessee from incurring any of the liens permitted under Article 9 of the Lease;

(g) To promptly give the Secured Party notice of any Event of Default or event which, after notice or lapse of time or both, would constitute an event of default, under the Loan Agreement or the Lease, or under any other agreement entered into by and between the Debtor and the Secured Party or the Borrowers and the Secured Party;

(h) To indemnify the Secured Party and hold them harmless from and against all liabilities, claims and/or demands arising from any cause whatsoever, including the doctrine of strict liability, in connection with this Agreement or the Secured Party's rights herein or in the Collateral and/or the use, sale, operation or possession of the Collateral; and

(i) Upon the occurrence of a casualty loss to the Aircraft, including damage to an extent rendering the repair of such property impractical or uneconomical or upon the occurrence of a condemnation of the Aircraft or any other event which renders the property permanently unfit for use for any reason whatsoever, the Debtor shall notify the Secured Party promptly and in any event within 10 days of such event and shall comply with Clause 4.02 of the Loan Agreement.

ARTICLE IV EVENTS OF DEFAULT AND REMEDIES

Section 4.01 Events of Default. The occurrence of any one or more of the following events shall constitute an Event of Default under this Agreement:

(a) There exists an Event of Default under Clause 8.01 of the Loan Agreement or under Article 15.1 of the Lease;

(b) If a notice of lien, levy or assessment is filed of record with respect to any or all of the Collateral by the United States Government or any department, agency or instrumentality thereof; or

(c) If a judgment or other claim becomes a lien or encumbrance upon all or any of the Collateral.

Section 4.02 Remedies Upon Default. Upon the occurrence of an Event of Default, the Secured Party may, at its election, and without notice and without demand, do any one or more of the following to the fullest extent permitted by law, all of which are authorized by the Debtor:

(a) Exercise its rights under Clause 8.01 of the Loan Agreement, including declaring all of the Obligations immediately due and payable;

(b) Take possession, by its agents or otherwise, of the Collateral wherever found, with or without notice of process of law, and hold, store and/or use, operate, manage and control the Collateral, and collect and receive all rents, revenues, issues and profits of the Collateral and every part thereof. The Secured Party may require the Debtor to assemble the Collateral and make it available to the Secured Party at a location designated by the Secured Party which is reasonably convenient to the Secured Party and the Debtor;

(c) Grant extensions and compromise claims with respect to the Collateral, and settle claims with respect to the Collateral for less than face value on commercially reasonable terms, all without prior notice to the Debtor;

(d) Retain the Collateral in full satisfaction of the Obligations secured thereby as permitted by the Uniform Commercial Code in effect in the applicable jurisdiction, or sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and such places as is commercially reasonable. The requirements of reasonable notice shall be met as follows:

- (i) The Secured Party shall give the Debtor and each holder of a security interest in the Collateral who has filed with the Secured Party a written request for notice, a notice in writing of the time and place of public sale, or, if the sale is a private sale or if some other disposition other than a public sale is to be made of the Collateral, the time on or after which the private sale or other disposition is to be made; and
- (ii) The notice shall be personally delivered or mailed, postage prepaid, to the Debtor's address

appearing in this Agreement (or at such other address as the Debtor advises the Secured Party of in writing), at least ten (10) Business Days before the date fixed for the sale, or at least ten (10) Business Days before the date on or after which the private sale or other disposition is to be made. Notice to persons other than the Debtor claiming an interest in Collateral shall be sent to such addresses as they have furnished to the Secured Party.

(e) All costs and expenses incurred by the Secured Party in connection with the enforcement and/or exercise of any of its rights or remedies herein shall be immediately payable by the Debtor, upon demand, and shall constitute Secured Party Expenses hereunder, whether or not suit is commenced;

(f) Prior to the disposition of the Collateral, the Secured Party may, but shall not be required to assemble, process, repair or recondition, maintain, store, refurbish, have appraised, or otherwise prepare the Collateral for disposition, and in connection therewith, use any trademark, trade name, trade style, copyright or patent used by the Debtor;

(g) With or without taking possession of the Collateral, take legal proceedings for:

- (i) The specific performance of any covenant or agreement contained herein, or the execution of any right or power herein granted;
- (ii) Foreclosure hereunder;
- (iii) The sale, under the judgment or decree of any court of competent jurisdiction, of all or any part of the Collateral;
- (iv) The appointment of a receiver or receivers of all or part of the Collateral pending any foreclosure hereunder or the sale of all of the Collateral, by any court of competent jurisdiction or under executory or other legal process;
- (v) The recovery of the unpaid balance of the Obligations; or
- (vi) The enforcement of any other appropriate remedy, whether under this Agreement, under the Loan

Agreement, under any of the other Security Documents or otherwise.

(h) With respect to the Lease or any subsequent lease, the Secured Party may exercise any and all rights of the Debtor thereunder, including the declaration of an Event of Default and enforcement of any remedies available thereunder against the Lessee or any subsequent lessee and may ask, require, demand and receive any and all moneys and claims for moneys due and to become due under or arising out of the applicable Lease (to the extent such moneys and claims are assigned to the Secured Party pursuant hereto), endorse any checks or other instruments or orders in connection therewith and file any claims or take any action or institute any proceedings, which the Secured Party may deem to be necessary or advisable in the exercise of its rights and remedies hereunder.

(i) Exercise any and all other rights and remedies of a secured party under the Uniform Commercial Code in the applicable jurisdictions.

Section 4.03 Waiver. The Debtor waives any right it may have to a hearing prior to the disposition of any of the Collateral by the Secured Party following the occurrence of an Event of Default, or prior to the exercise of the Secured Party's right of setoff as herein provided.

Section 4.04 Application of Proceeds. The proceeds of any disposition of the Collateral, the net earnings of any lease or other agreement relative to the use of the Collateral, and any amounts received as a result of the exercise of any of the rights, powers and remedies of the Secured Party herein granted, including the right to collect proceeds of any claims for damages on account of the Collateral and the right to collect proceeds of any insurance received on account of the Collateral, shall be applied as set forth in Clause 10.07 of the Loan Agreement.

Section 4.05 Right of Set-Off. The Debtor agrees that the Secured Party may exercise a right of set-off with respect to any amounts owed to the Secured Party in the same manner as if the amounts owed were unsecured.

Section 4.06 Exercise of Remedies. Each right, power and remedy herein granted the Secured Party is cumulative and in addition to every other right, power and remedy herein specifically given or now or hereafter existing under or by virtue of the provisions of any other agreement between the Debtor and the Secured Party or in equity, at law or by virtue of statute or otherwise. No failure to exercise, and no delay in

exercising, any right, power or remedy held by the Secured Party hereunder or otherwise, shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy held hereunder or otherwise, preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Section 4.07 Termination. If all of the Obligations shall be fully paid and performed, including all payments and performances, agreements and covenants due the Secured Party under the Loan Agreement and the Note, then the security interest and lien of the Secured Party in the Collateral shall thereupon terminate. In any such case, the Secured Party shall, upon the request of the Debtor, execute and deliver to the Debtor proper instruments acknowledging the termination of the security interest and lien.

ARTICLE V MISCELLANEOUS PROVISIONS

Section 5.01 Quiet Enjoyment. Notwithstanding any of the provisions of this Agreement to the contrary, so long as no Event of Default has occurred or is continuing under the Lease, the Secured Party will not take any action contrary to the Lessee's rights under the Lease.

Section 5.02 Successors and Assigns. All the covenants, promises, stipulations and agreements contained herein bind each party and its successors and assigns, and shall inure to the benefit of the other party and its respective successors and assigns.

Section 5.03 Entire Agreement. This Agreement, together with the Exhibits and other agreements referred to herein, constitutes the entire understanding between the parties with respect to the subject matter hereof. All prior agreements, understandings, representations, warranties and negotiations, if any, are merged into this Agreement, and this Agreement is the entire agreement between the Debtor and the Secured Party relating to the subject matter hereof. This Agreement cannot be changed or terminated orally.

Section 5.04 Captions. Captions to the Articles and Sections of this Agreement are for the convenience of the parties, are not a part of this Agreement, and shall not be used for the interpretation of any provision hereof.

Section 5.05 Notices. Any notice, request or demand shall be in writing (including telex) and shall be treated as

properly served or given if hand-delivered or sent by first class prepaid mail (airmail if appropriate) or telex.

If to the Debtor, to

First Security Bank of Utah,
National Association
79 South Main Street
Salt Lake City, Utah 84111

Attention: Tanta Lisa Clayton
Telex: 388431
Telecopy: (801) 350-5053

with a copy to:

PLM Income Advantage Fund
655 Montgomery Street
San Francisco, California 94111

Attention: J. Herbert Gaul
Telex: 34430
Telecopy: (415) 433-9152

with a copy to:

PLM Financial Services, Inc.
655 Montgomery Street
San Francisco, California 94111

Attention: J. Herbert Gaul
Telex: 34430
Telecopy: (415) 433-9152

If to the Secured Party, to

Bergen Bank A/S
Kirkegaten 23
0153 Oslo 1
Norway

Attention: Loan Administration
Telex: 400640
Telecopy: 47-2-336901

with a copy to:

Haight, Gardner, Poor & Havens
195 Broadway
New York, New York 10007
Attention: Thomas J. Whalen, Esq.
Telex: 177190 HGPH UT
Telecopy: (212) 385-9010

Section 5.06 Submission to Jurisdiction. The Debtor hereby irrevocably submits to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County, of the United States of America, and to the jurisdiction of the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or the subject matter hereof brought by the Secured Party or its successors or assigns, and the Debtor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by law, in such Federal court, and the Debtor hereby agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such courts. The Debtor hereby generally appoints as its attorney-in-fact, to receive service of process in such action, suit or proceeding CT Corporation System, 1633 Broadway, New York, New York 10019. The Debtor agrees that (without prejudice to any other lawful method of service) service of process upon such attorney-in-fact shall constitute valid service upon the Debtor or its successors or assigns.

Section 5.07 WAIVER OF JURY TRIAL. BOTH DEBTOR AND THE SECURED PARTY HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER FUNDAMENTAL AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 5.08 Severability. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision hereof. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and

enforceability of the remaining provisions contained herein shall remain in full force and effect.

Section 5.09 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument.

Section 5.10 Governing Law. This Agreement shall in all aspects be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of laws, including all matters of construction, validity and performance. This Agreement is being delivered in the State of New York.

Section 5.11 Aircraft Mortgage, Security Agreement and Assignment of Lease - Article V. Debtor is entering into this Agreement not in its individual capacity, but solely as trustee under the Trust Agreement. Accordingly, the undertakings of Debtor hereunder are made for the purpose of binding only the Trust Estate created by the Trust Agreement, and not with the intention of binding Debtor personally, and any personal liability of Debtor under this Agreement is expressly waived by the Banks, except for any loss caused by the willful misconduct or gross negligence of Debtor.

[The rest of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered, by their duly authorized officers, as of the day and year first written above.

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION, not in its
individual capacity, but solely as
Owner Trustee under the Trust
Agreement

By _____
Title:

BERGEN BANK A/S

By _____
Title:

EXHIBIT A

FORM OF NOTICE AND
ACKNOWLEDGMENT OF ASSIGNMENT

THIS NOTICE AND ACKNOWLEDGEMENT OF ASSIGNMENT dated as of April 12, 1989 ("Notice and Acknowledgement") among FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, not in its individual capacity but solely as owner trustee under that certain Trust Agreement dated as of February 24, 1988, as amended (the "Trust Agreement"), for the benefit of PLM INCOME ADVANTAGE FUND, a California limited partnership ("Lessor"), BERGEN BANK A/S, a banking organization operating under the laws of Norway, as agent for itself and the banks listed on Schedule 1 to the Loan Agreement (as defined below) (the "Secured Party") and DELTA AIR LINES, INC., a Delaware corporation ("Lessee").

W I T N E S S E T H:

A. Lessor and Lessee are parties to the Lease, pursuant to which Lessor has leased to Lessee the Aircraft.

B. Concurrently with the execution hereof, Lessor, PLM Income Advantage Fund ("PLM"), Dorothy M., Limited Partnership ("DMLP"), PLM Financial Services, Inc., General Partner of PLM, and Dorothy M. Inc., General Partner of DMLP, and the Secured Party are executing the Loan Agreement dated as of April 12, 1989 (the "Loan Agreement"), pursuant to which Lessor will borrow from the Secured Party a portion of the funds necessary to maintain its investment in the Aircraft.

C. Concurrently with the execution hereof, Lessor and the Secured Party are executing the Aircraft Mortgage, Security Agreement and Assignment of Lease (the "Aircraft Mortgage") dated as of April , 1989, pursuant to which Lessor will transfer to the Secured Party a security interest in the Aircraft and assign to the Secured Party Lessor's rights and interests in and under the Lease to secure Lessor's obligation to repay the funds borrowed from the Secured Party.

D. Lessee is willing to consent to such arrangement.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and intending to be legally bound, the parties hereto agree as follows:

1. Consent of Lessee to Assignment as Security to Secured Party. Lessee hereby acknowledges and consents to the

assignment of the Lease by Lessor to Secured Party under and pursuant to the Aircraft Mortgage, and agrees for the benefit of the Secured Party as follows:

(a) To continue to make each payment of rental or other sums due under the Lease, including interest thereon for late payment thereof ("Rent") assigned thereby by paying to Security Pacific National Bank, Los Angeles, California, ABA #122000043, PLM Income Advantage, Account No. 512-827335, so long as any amount owed under the Loan Agreement shall be outstanding and unpaid.

(b) That so long as any amount shall be outstanding and unpaid under the Loan Agreement, all rights of Lessor with respect to the Lease and the Aircraft shall be exercisable by the Secured Party, as assignee and secured party or lienholder;

(c) At the request of the Secured Party, to execute and file any financing statements, continuation statements or other documents reasonably necessary to create, perfect, protect and preserve the priority security interest acquired, or intended to be acquired, by the Secured Party under the Aircraft Mortgage until all obligations of the Lessor under the Loan Agreement shall have been fulfilled;

(d) To execute and deliver such other documents as Lessor or the Secured Party may reasonably request;

(e) That any amendment to, or any waiver, discharge or termination of, any term or provision of the Lease (or any consent of Lessor required thereunder) shall also require the written consent of Secured Party;

(f) That Lessee will deliver to the Secured Party at Bergen Bank A/S, Kirkegaten 23, 0153 Oslo 1, Norway (Telex: 400640; Telecopy: 47-2-336901), Attention: Loan Administration, a copy of all notices required to be delivered to Lessor under the Lease concurrently with the delivery of such notices to Lessor;

(g) That the Secured Party shall be named as an additional insured and designated as a loss payee with respect to any insurance carried by Lessee pursuant to Article 11 of the Lease;

(h) That the Lease is in full force and effect; and

(i) Not to seek recovery of any payment made to the Secured Party pursuant to the Aircraft Mortgage and this Notice and Acknowledgment once such payment has been made.

2. No Further Amendments. Except as expressly modified or amended herein, all of the terms, covenants and conditions of the Lease shall remain unamended and in full force and effect.

3. Governing Law. This Notice and Acknowledgment shall be governed by and construed in accordance with the laws of the State of New York, without regard to the principles of conflicts of laws.

4. Counterparts. This Notice and Acknowledgment may be executed in two or more counterparts, which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Notice and Acknowledgment to be duly executed as of the date first above written.

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION, not in its
individual capacity, but solely as
Owner Trustee under the Trust
Agreement

By _____
Name:
Title:
Date:

BERGEN BANK A/S

By _____
Name:
Title:
Date

DELTA AIR LINES, INC.

By _____
Name:
Title:
Date:

DEED OF COVENANTS
TO ACCOMPANY FIRST PRIORITY
STATUTORY MORTGAGE OF A SHIP

DOROTHY M
executed by

DOROTHY M., LIMITED PARTNERSHIP

as Shipowner

in favor of

BERGEN BANK A/S,

as Mortgagee

April 14, 1989

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EXHIBIT A - Loan Agreement		

This Deed is made the 14th day of April, 1989, between DOROTHY M., LIMITED PARTNERSHIP, a California limited partnership (the "Shipowner"), and BERGEN BANK A/S, a banking organization operating under the laws of Norway, as agent for itself and the other banks (the "Banks" listed on Schedule 1 to the Loan Agreement (as defined below) ("Mortgagee").

W I T N E S S E T H That:

WHEREAS:

1. Pursuant to the terms of a Loan Agreement dated as of April 12, 1989 (together with all exhibits, the "Loan Agreement") among the Shipowner, PLM Income Advantage Fund ("PLM"), First Security Bank of Utah, National Association, not in its individual capacity, but solely as Owner Trustee under that certain Trust Agreement dated as of February 24, 1988, as amended (collectively, the "Borrowers"), Dorothy M. Inc., general partner of the Shipowner, PLM Financial Services, Inc., general partner of PLM and the Mortgagee, the Mortgagee has agreed to lend to the Borrowers up to a maximum principal amount of Thirty-Two Million Seven Hundred Thirty-Seven Thousand United States dollars (US\$32,737,000) (the "Loan"). The Shipowner intends to use its portion of the Loan to repay indebtedness incurred by it in connection with the initial acquisition of the Vessel (as defined below). The Shipowner further acknowledges it is justly indebted to the Mortgagee for interest on the Loan at the rate specified in the Loan Agreement and for the payment of all other sums attributable to the Vessel which are due or may become due to the Mortgagee pursuant to the Loan Agreement or this Deed or any other Security Document (as defined in the Loan Agreement). A copy of the form of the Loan Agreement (together with all exhibits) is attached hereto as Exhibit A and is hereby made a part hereof.

2. The Shipowner is the absolute and unencumbered owner of 64/64th shares of and in the Bahamian flag vessel DOROTHY M., registered in the name of the Shipowner with the home port of Nassau, Bahamas under Official No. 399774 of 24614.00 gross and 14658.34 net tons, built in 1976 at Tamano, Japan, which together with all shares and interest therein and the engines, machinery, boats, tackle, outfits, spare gear, fuels, consumable and other stores, belongings and appurtenances, whether on board or ashore, including those which may hereafter be put on board or become appurtenant to or intended to be used for the said vessel if on shore, is hereinafter referred to as the "Vessel".

3. Contemporaneously with the execution of this Deed there has been executed and registered by the Shipowner in favor of the Mortgagee a First Priority Statutory Mortgage (to secure an account current) (the "Statutory Mortgage") constituting a first mortgage of 64/64th shares in the said Vessel, and the

Shipowner has agreed to execute this Deed collateral thereto and to the security thereby created.

4. This Deed shall be read together with the Loan Agreement, but in the case of any conflict between the two instruments, the provisions of the Loan Agreement shall govern and prevail.

NOW THIS DEED WITNESSETH AS FOLLOWS:

A. IN CONSIDERATION of the Loan to be made by the Mortgagee to the Borrowers up to the maximum principal amount of Thirty-Two Million Seven Hundred Thirty-Seven Thousand United States dollars (US\$32,737,000) in accordance with the provisions of the Loan Agreement, THE SHIPOWNER HEREBY COVENANTS with the Mortgagee to repay the principal at the time and in the manner specified in the Loan Agreement, and to pay interest thereon at the rate, at the times and in the manner specified therein, and to pay each and every sum of money that may be or become owing to the Mortgagee under the terms of the Loan Agreement, this Deed, the Statutory Mortgage and the other Security Documents (as such term is defined in the Loan Agreement) or any of them at the time and in the manner specified therein, such amounts being hereinafter referred to as the "Indebtedness secured hereby."

By way of security for payment of the Indebtedness secured hereby, THE SHIPOWNER HEREBY MORTGAGES AND CHARGES to and in favor of the Mortgagee all its interest present and future in the Vessel and proceeds thereof (hereinafter the "Mortgaged Property") (which the Shipowner hereby warrants to be free at the date hereof from any other charge or encumbrance whatsoever, other than the Time Charter (as defined in the Loan Agreement)).

B. The Shipowner and the Mortgagee hereby covenant with each other that the security created by this Deed and any Security Documents (as defined in the Loan Agreement) shall be held by the Mortgagee as continuing security, and that the security so created shall not be satisfied by any intermediate payment of any part of the Indebtedness secured hereby.

Upon the Mortgagee being satisfied that the Indebtedness secured hereby has been unconditionally and irrevocably paid and discharged in full, and following a written request therefor from the Shipowner, the Mortgagee will, subject to being indemnified to its satisfaction for the costs and expenses incurred by it in connection therewith, release the security created by the Statutory Mortgage and this Deed and execute a re-assignment in favor of the Shipowner of the Earnings, Insurances and Charter.

C. It is hereby covenanted, declared and agreed that the property above described is to be held subject to the further covenants, conditions, provisions, terms and uses hereinafter set forth.

D. Without prejudice to the provisions of Section 36 of the Merchant Shipping Act 1976, the Shipowner shall remain liable to fulfill all obligations assumed by it in relation to the Mortgaged Property and the Mortgagee shall not be under any obligation of any kind whatsoever in respect thereof or be under any liability whatsoever in event of any failure by the Shipowner to perform its obligations in respect thereof.

ARTICLE I

Representations and Warranties of the Shipowner

Section 1. Existence; Authorization. The Shipowner is a limited partnership duly organized and validly existing under the laws of the State of California, and shall so remain during the life of this Deed. The Shipowner has full power and authority to own and mortgage the Vessel; has full right and entitlement to register the Vessel in its name under the Bahamian flag and all action necessary and required by law for the execution and delivery of this Deed or the Statutory Mortgage has been duly and effectively taken; and each of the Indebtedness secured hereby, this Deed and the Statutory Mortgage is and will be the legal, valid and binding obligation of the Shipowner enforceable in accordance with its terms.

Section 2. Title to Vessel. The Shipowner lawfully owns 64/64th shares in and is lawfully possessed of the Vessel free from any lien or encumbrance whatsoever other than liens for current crew's wages and liens covered by valid policies of insurance held by the Mortgagee and meeting the requirements of Section 13 of Article II below, and will warrant and defend the title and possession thereto and to every part thereof for the benefit of the Mortgagee against the claims and demands of all persons whomsoever.

ARTICLE II

Covenants of the Shipowner

Section 1. Payment of Indebtedness. The Shipowner will pay or cause to be paid the Indebtedness secured hereby and

will observe, perform and comply with the covenants, terms and conditions herein and in the Loan Agreement, express or implied, on its part to be observed, performed or complied with.

Section 2. Mortgage Recording. The Shipowner will cause the Statutory Mortgage to be duly recorded or filed in a central office or at the home port of the Vessel and in accordance with the applicable provisions of the law of the Bahamas and will otherwise comply with and satisfy all of the provisions of applicable law of the Bahamas in order to establish and maintain (a) the Statutory Mortgage as a first priority statutory mortgage thereunder upon the Vessel and upon all renewals, replacements and improvements made in or to the same and (b) this Deed and any other Security Document as a first priority assignment of, charge over, and security interest in the Mortgaged Property or other property assigned thereunder.

Section 3. Lawful Operation. The Shipowner will not cause or permit the Vessel to be operated in any manner contrary to law, and the Shipowner will not engage in any unlawful trade or violate any law or carry any cargo that will expose the Vessel to penalty, forfeiture or capture, and will not do, or suffer or permit to be done, anything which can or may injuriously affect the registration of the Vessel under the laws and regulations of the Bahamas and will at all times keep the Vessel duly documented thereunder.

Section 4. Payment of Taxes. The Shipowner will pay and discharge when due and payable, from time to time, all taxes, assessments, governmental charges, fines and penalties lawfully imposed on the Vessel or any income therefrom unless such taxes, assessments, governmental charges, fines and penalties are being contested in good faith and by appropriate proceedings so long as such non-payment does not result in the arrest, detention or forfeiture of title to the Vessel.

Section 5. Prohibition of Liens. Neither the Shipowner, any charterer, the Manager, the Master of the Vessel nor any other person has or shall have any right, power or authority to create, incur or permit to be placed or imposed or continued upon the Vessel, its freights, profits or hire any lien whatsoever other than the Statutory Mortgage, this Deed, other liens in favor of the Mortgagee, and for crew's wages and salvage.

Section 6. Notice of Mortgage. The Shipowner will place, and at all times and places will retain, a properly certified copy of the Statutory Mortgage and a true copy of this Deed on board the Vessel with her papers and will cause each such certified copy and the Vessel's marine document to be exhibited

to any and all persons having business therewith which might give rise to any lien thereon other than liens for crew's wages and salvage, and to any representative of the Mortgagee.

The Shipowner will place and keep prominently displayed in the chart room and in the Master's cabin of the Vessel a framed printed notice in plain type reading as follows:

NOTICE OF MORTGAGE

This Vessel is owned by Dorothy M., Limited Partnership, a California Limited Partnership and is subject to a First Priority Statutory Mortgage and Deed of Covenants collateral thereto in favor of Bergen Bank A/S, as Mortgagee. Under the terms of said Deed, neither the Shipowner, any charterer, the Master of the Vessel, nor any other person has any right, power or authority to create, incur or permit to be placed or imposed upon the Vessel, its freights, profits or hire any other lien whatsoever other than for crew's wages and salvage.

Section 7. Removal of Liens. Except for the lien of this Deed and of the Statutory Mortgage, the Shipowner will not suffer to be continued any lien, encumbrance or charge on the Vessel, and in due course and in any event within thirty (30) days after the same becomes due and payable or within fourteen (14) days after being requested to do so by the Mortgagee, the Shipowner will pay or cause to be discharged or make adequate provision for the satisfaction or discharge of all claims or demands, and will cause the Vessel to be released or discharged from any lien, encumbrance or charge therefor.

Section 8. Release from Arrest. If a libel or complaint be filed against the Vessel or the Vessel be otherwise attached, levied upon or taken into custody by virtue of any legal proceeding in any court, the Shipowner will promptly notify the Mortgagee thereof by telex, confirmed by letter, at the address, as specified in this Deed, and within seven (7) days will cause the Vessel to be released and all liens thereon other than the Statutory Mortgage and this Deed to be discharged, will cause a certificate of discharge to be recorded in the case of any recording of a notice of claim of lien, and will promptly notify the Mortgagee thereof in the manner aforesaid. The Shipowner will notify the Mortgagee within forty-eight (48) hours of any average or salvage incurred by the Vessel unless the same is covered by valid policies of insurance meeting the requirements of Section 13 of Article II hereof.

Section 9. Maintenance. The Shipowner will at all times and without cost or expense to the Mortgagee maintain and preserve, or cause to be maintained and preserved, the Vessel and all its equipment, outfit and appurtenances, tight, staunch, strong, in good condition, working order and repair and in all respects seaworthy and fit for its intended service, and will keep the Vessel, or cause her to be kept, in such condition as will entitle her to the highest classification and rating for vessels of the same age and type in Lloyds Register of Shipping, or other classification society of like standing approved by the Mortgagee. The Shipowner covenants to deliver annually to the Mortgagee a certificate from such class society showing such classification to be maintained. The Vessel shall, and the Shipowner covenants that she will, at all times comply with all applicable laws, treaties and conventions to which the Bahamas is a party, and rules and regulations issued thereunder, and shall have on board as and when required thereby valid certificates showing compliance therewith. The Shipowner will not make, or permit to be made, any substantial change in the structure, type or speed of the Vessel or change in her rig, without first receiving the written approval thereof by the Mortgagee.

The Shipowner agrees to give the Mortgagee at least ten (10) days notice of actual date and place of any survey or drydocking in order that the Mortgagee may have representatives present if desired. The Shipowner agrees that at the Mortgagee's request it will satisfy the Mortgagee that the expense of such survey or drydocking or work to be done thereat is within Shipowner's financial capability and will not result in a claim or lien against the Vessel in violation of the provisions of this Deed.

Section 10. Inspection. The Shipowner will at all reasonable times upon written notice by the Mortgagee, which written notice shall not be required after the occurrence and continuance of an Event of Default, afford the Mortgagee or its authorized representatives full and complete access to the Vessel for the purpose of inspecting the Vessel and her cargo and papers and, at the request of the Mortgagee, the Shipowner will deliver for inspection copies of any and all contracts and documents relating to the Vessel, whether on board or not.

Section 11. Flag; Home Port. The Shipowner will not change the flag or home port of the Vessel without the written consent of the Mortgagee first had and obtained, and any such written consent to any one change of flag or home port shall not be construed to be a waiver of this provision with respect to any subsequent proposed change of flag or home port.

Section 12. No Sales, Transfers or Charters. The Shipowner will not sell, mortgage, transfer, or change the management of, demise charter the Vessel or time charter (except for the Time Charter described in Clause 1.01 of the Loan Agreement) the Vessel, in each case, without the written consent of the Mortgagee first had and obtained and which shall not be unreasonably withheld, and any such written consent to any one sale, mortgage, demise or time charter, transfer, change of management or sub-charter shall not be construed to be a waiver of this provision with respect to any subsequent proposed sale, mortgage, demise or time charter, transfer, change of management or sub-charter. Any such sale, mortgage, demise or time charter, transfer, change of management or sub-charter of the Vessel shall be subject to the provisions of this Deed and the Statutory Mortgage and the lien thereof. Any proceeds of the sale of the Vessel shall be applied in the manner and in accordance with the provisions of Clause 10.07 of the Loan Agreement.

Section 13. (a) Insurance. The Shipowner, at its own expense, will keep the Vessel insured against the risks indicated below, in addition to such other risks as the Mortgagee may specify from time to time, in an amount in U.S. dollars equal to, except as otherwise approved or required in writing by the Mortgagee, the greater of (x) the then full commercial value of the Vessel or (y) the amount required to be paid pursuant to Clause 4.02 of the Loan Agreement:

(i) Marine and war risk hull and machinery insurance with such underwriters and under forms of policies approved by the Mortgagee;

(ii) Marine and war risk protection and indemnity insurance or equivalent insurance (including equivalent insurance against liability for the fines and penalties arising out of the operation of the Vessel, insurance against liability arising out of pollution, spillage or leakage, and workmen's compensation or longshoremen's and harbor workers' insurance as shall be required by applicable law) with such club or with such underwriters, in such amounts and under forms of policies approved by the Mortgagee;

(iii) Mortgagee's interest insurance in favor of the Mortgagee with such underwriters and under forms of policies approved by the Mortgagee;

(iv) While the Vessel is idle or laid up, at the option of the Shipowner and in lieu of the above-mentioned marine and war risk hull insurance, port risk insurance under the forms of policies approved by the Mortgagee insuring the

Vessel against the usual risks encountered by like vessels under similar circumstances.

(b) The marine and commercial war-risk insurance required by this Section 13 shall have deductibles and franchises no higher than the following: (i) Hull and Machinery - \$30,000, each accident or occurrence and (ii) Protection and Indemnity - \$30,000. All insurance maintained hereunder shall be primary insurance without right of contribution against any other insurance maintained by the Mortgagee. Each policy of insurance with respect to the Vessel shall provide that the Agent on behalf of the Mortgagee shall be a named insured and a loss payee. The Mortgagee and its successors and assigns shall not be responsible for any premiums, club calls, assessments or any other obligations or for the representations and warranties made therein by the Shipowner or any other person.

(c) The Shipowner will furnish the Mortgagee from time to time on request, and in any event at least annually, a detailed report signed by a firm of marine insurance brokers acceptable to the Mortgagee with respect to the hull and machinery, mortgagee's interest and war risk insurance carried and maintained on the Vessel, together with their opinion as to the adequacy thereof and its compliance with the provisions of this Deed. At the Shipowner's expense the Shipowner will cause such insurance broker and the P & I club or association providing P & I insurance referred to in part (a)(ii) of this Section 13, to agree to advise the Mortgagee by telex confirmed by letter of any expiration, termination, alteration or cancellation of any policy, any default in the payment of any premium and of any other act or omission on the part of the Shipowner of which it has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the Vessel. To the extent obtainable from underwriters or brokers, all policies required hereby shall provide for not less than 30 days prior written notice to be received by the Agent of the termination or cancellation of the insurance evidenced thereby. All policies of insurance maintained pursuant to this Section 13 shall contain provisions waiving underwriters' rights of subrogation thereunder against any assured named in such policy and any assignee of said assured. The Shipowner has assigned to the Mortgagee its rights under any policies of insurance in respect of the Vessel. The Shipowner agrees that, unless the insurances by their terms provide that they cannot cease (by reason of nonrenewal or otherwise) without the Mortgagee being informed and having the right to continue the insurance by paying any premiums not paid by the Shipowner, receipts showing payment of premiums for required insurance and also of demands from the Vessel's P & I underwriters shall be in the hands of the Mortgagee at least two (2) days before the risk in question commences.

(d) Unless the Mortgagee shall otherwise agree, all amounts of whatsoever nature payable under any insurance must be payable to the Mortgagee for distribution first to the Mortgagee under this Mortgage and thereafter to the Shipowner or others as their interests may appear. Nevertheless, until otherwise required by the Mortgagee by notice to the underwriters, (i) amounts payable under any insurance on the Vessel with respect to protection and indemnity risks may be paid directly to the Shipowner to reimburse it for any loss, damage or expense incurred by it and covered by such insurance or to the person to whom any liability covered by such insurance has been incurred provided that the underwriter shall have first received evidence that the liability insured against has been discharged, and (ii) amounts payable under any insurance with respect to the Vessel involving any damage to the Vessel not constituting a Total Loss as defined in the Loan Agreement, may be paid by underwriters directly for the repair, salvage or other charges involved or, if the Shipowner shall have first fully repaired the damage or paid all of the salvage or other charges, may be paid to the Shipowner as reimbursement therefor; provided, however, that if such amounts (including any franchise or deductible) are in excess of U.S.\$250,000, the underwriters shall not make such payment without first obtaining the written consent thereto of the Mortgagee.

(e) All amounts paid to the Mortgagee in respect of any insurance on the Vessel shall be disposed of as follows (after deduction of the expenses of the Mortgagee or the Agent on their behalf in collecting such amounts):

(i) any amount which might have been paid at the time, in accordance with the provisions of paragraph (d) above, directly to the Shipowner or others shall be paid by the Mortgagee to, or as directed by, the Shipowner;

(ii) all amounts paid to the Mortgagee in respect of a Total Loss (as defined in the Loan Agreement) of the Vessel shall be applied by the Mortgagee to the payment of the Indebtedness hereby secured pursuant to Clause 4.02 of the Loan Agreement;

(iii) all other amounts paid to the Mortgagee in respect of any insurance on the Vessel may, in the Mortgagee's sole discretion, be held and applied to the prepayment of the Indebtedness hereby secured or to making of needed repairs or other work on the Vessel, or to the payment of other claims incurred by the Shipowner relating to the Vessel, or may be paid to the Shipowner or whosoever may be entitled thereto.

(f) In the event that any claim or lien is asserted against the Vessel for loss, damage or expense which is covered by insurance required hereunder and it is necessary for the Shipowner to obtain a bond or supply other security to prevent arrest of the Vessel or to release the Vessel from arrest on account of such claim or lien, the Mortgagee, on request of the Shipowner, may, in the sole discretion of the Mortgagee, assign to any person, firm or corporation executing a surety or guarantee bond or other agreement to save or release the Vessel from such arrest, all right, title and interest of the Mortgagee in and to said insurance covering said loss, damage or expense, as collateral security to indemnify against liability under said bond or other agreement.

(g) The Shipowner shall deliver to the Mortgagee certified copies and, whenever so requested by the Mortgagee, the originals of all certificates of entry, cover notes, binders, evidences of insurance and policies and all endorsements and riders amendatory thereof in respect of insurance maintained under this Deed for the purpose of inspection or safekeeping, or, alternatively, satisfactory letters of undertaking from the broker holding the same.

(h) The Shipowner agrees that it will not execute or permit or willingly allow to be done any act by which any insurance may be suspended, impaired or cancelled, and that it will not permit or allow the Vessel to undertake any voyage or run any risk or transport any cargo which may not be permitted by the policies in force, without having previously notified the Mortgagee in writing and insured the Vessel by additional coverage to extend to such voyages, risks or cargoes.

(i) In case any underwriter proposes to pay less on any claim than the amount thereof, the Shipowner shall forthwith inform the Mortgagee and the Mortgagee shall have the exclusive right to negotiate and agree to any compromise.

(j) The Shipowner will comply with and satisfy all of the provisions of any applicable law, convention, regulation, proclamation or order concerning financial responsibility for liabilities imposed on the Shipowner or the Vessel with respect to pollution by any state or nation or political subdivision thereof and will maintain all certificates or other evidence of financial responsibility as may be required by any such law, convention, regulation, proclamation or order with respect to the trade which the Vessel is from time to time engaged in and the cargo carried by it.

Section 14. Reimbursement for Expenses. The Shipowner will reimburse the Mortgagee promptly for any and all expenditures which the Mortgagee may from time to time make, lay out or expend in providing such protection in respect of insurance, discharge or purchase of liens, taxes, dues, tolls, assessments, governmental charges, fines and penalties lawfully imposed, repairs, attorney's fees, and other matters as the Shipowner is obligated herein to provide, but fails to provide or which, in the sole judgment of the Mortgagee, are necessary or appropriate for the protection of the Vessel or the security granted by this Deed. Such obligation of the Shipowner to reimburse the Mortgagee shall be an additional indebtedness due from the Shipowner, shall bear interest at the interest rate as set forth in Clause 3.01 of the Loan Agreement from the date of payment by the Mortgagee to and including the date of reimbursement by the Shipowner, shall be secured by this Deed and the Statutory Mortgage, and shall be payable by the Shipowner on demand. The Mortgagee, though privileged to do so, shall be under no obligation to the Shipowner to make any such expenditure, nor shall the making thereof relieve the Shipowner of any default in that respect.

Section 15. Performance of Charters. The Shipowner will fully perform the Charter in respect of the Vessel and any and all other charter parties which are, or may be, entered into with respect to the Vessel and will promptly notify the Mortgagee of any claim by the charterer of non-performance thereunder by the Shipowner.

Section 16. Change in Ownership. The Shipowner further covenants and agrees with the Mortgagee that, so long as any part of the Indebtedness hereby secured remains unpaid, there shall be no change in the ownership of the Vessel or any of the shares of the Shipowner without the prior written consent of the Mortgagee.

Section 17. Prepayment of Total Loss. In the event of a Total Loss of the Vessel as such term is defined in the Loan Agreement, then the Shipowner shall forthwith repay the Indebtedness hereby secured at the time and in the amount set forth in Clause 4.02 of the Loan Agreement.

ARTICLE III

Events of Default and Remedies

Section 1. Events of Default; Remedies. In case any one or more of the following events, herein termed "events of default", shall happen:

(a) default by the Shipowner in the payment in respect of the Indebtedness secured hereby when and as the same shall become due as herein or in the Loan Agreement provided; or

(b) the statements in Article I shall prove to have been untrue when made in a material way; or

(c) a default in the due and punctual observance and performance of any of the provisions of Sections 2, 3, 7, 8, 9, 11, 12, 13(a), (b), (h) and (j), 16 or 17 of Article II hereof shall have occurred and be continuing; or

(d) a default in the due and punctual observance of any of the other covenants (other than Section 5 of Article II hereof) and conditions herein required to be kept and performed by the Shipowner; or

(e) a default shall have occurred and be continuing under the Loan Agreement;

then:

The Security constituted by the Statutory Mortgage and this Deed becomes immediately enforceable and that without limitation, the enforcement remedies specified can be exercised irrespective of whether or not the Mortgagee has exercised the right of acceleration under the Loan Agreement and the Mortgagee shall have the right to:

(i) Declare all the then unpaid Indebtedness hereby secured to be due and payable immediately, and upon such declaration, the same shall become and be immediately due and payable (provided no declaration shall be required if an event of default shall have occurred by reason of a default under Clause 8.01(e) of the Loan Agreement);

(ii) Exercise all of the rights and remedies in foreclosure and otherwise given to the Mortgagee by the provisions of the laws of the Bahamas or of any other jurisdiction where the Vessel may be found;

(iii) Bring suit at law, in equity or in admiralty, as it may be advised, to recover judgment for the Indebtedness hereby secured, and collect the same out of any and all property of the Shipowner whether covered by this Deed, the Statutory Mortgage or otherwise;

(iv) Take and enter into possession of the Vessel, at any time, wherever the same may be, without legal process and without being responsible for loss or damage and the Shipowner or other person in possession forthwith upon demand of the Mortgagee shall surrender to the Mortgagee possession of the Vessel;

(v) Without being responsible for loss or damage, the Mortgagee may hold, lay up, lease, charter, operate or otherwise use such Vessel for such time and upon such terms as it may deem to be for its best advantage, and demand, collect and retain all hire, freights, earnings, issues, revenues, income, profits, return premiums, salvage awards or recoveries, recoveries in general average, and all other sums due or to become due in respect of such Vessel or in respect of any insurance thereon from any person whomsoever, accounting only for the net profits, if any, arising from such use of the Vessel and charging upon all receipts from the use of the Vessel or from the sale thereof by court proceedings or pursuant to subsection (vi) next following, all costs, expenses, charges, damages or losses by reason of such use; and if at any time the Mortgagee shall avail itself of the right herein given it to take the Vessel, the Mortgagee shall have the right to dock the Vessel, for a reasonable time at any dock, pier or other premises of the Shipowner without charge, or to dock her at any other place at the cost and expense of the Shipowner;

(vi) Without being responsible for loss or damage, the Mortgagee may sell the Vessel upon such terms and conditions as to the Mortgagee shall seem best, free from any claim of or by the Shipowner, at public or private sale, by sealed bids or otherwise, by mailing, by air or otherwise, notice of such sale, whether public or private, addressed to the Shipowner at its last known address and to any other registered Mortgagee, twenty calendar days prior to the date fixed for entering into the contract of sale and by first publishing notice of any such public sale for ten (10) consecutive days, in daily newspapers of general circulation published in the City of New York, State of New York; in the event that the Vessel shall be offered for sale by private sale, no newspaper publication of notice shall be required, nor notice of adjournment of sale; sale may be held at such place and at such time as the Mortgagee by notice may have specified, or may be adjourned by the Mortgagee from time to time by announcement at the time and place appointed for such sale or for such adjourned sale, and without further notice or publication the Mortgagee may make any such sale at the time and place to which the same shall be so adjourned; and any sale may be conducted without bringing

the Vessel to the place designated for such sale and in such manner as the Mortgagee may deem to be for its best advantage, and the Mortgagee may become the purchaser at any sale. The Shipowner agrees that any sale made pursuant to the terms of this paragraph shall be deemed made in a commercially reasonable manner insofar as it is concerned;

(vii) Require that all policies, contracts, certificates of entry and other records relating to the Insurances (including details of and correspondence concerning outstanding claims) be forthwith delivered to or to the order of the Mortgagee;

(viii) Collect, recover, compromise and give a good discharge for any and all monies and claims for monies then outstanding or thereafter arising under the Insurances or in respect of the Earnings or any Requisition Compensation and to permit any brokers to whom collection or recovery is effected to charge the usual brokerage therefore.

Section 2. Power of Sale. Any sale of the Vessel made in pursuance of this Deed, whether under the power of sale hereby granted or any judicial proceedings, shall operate to divest all right, title and interest of any nature whatsoever of the Shipowner therein and thereto, and shall bar the Shipowner, its successors and assigns, and all persons claiming by, through or under them. No purchaser shall be bound to inquire whether notice has been given, or whether any default has occurred, or as to the propriety of the sale, or as to the application of the proceeds thereof. In case of any such sale, the Mortgagee shall be entitled, for the purpose of making settlement or payment for the property purchased, to use and apply the Indebtedness secured hereby in order that there may be credited against the amount remaining due and unpaid thereon the sums payable out of the net proceeds of such sale to the Mortgagee after allowing for the costs and expense of sale and other charges; and thereupon such purchaser shall be credited, on account of such purchase price, with the net proceeds that shall have been so credited upon the Indebtedness secured hereby. At any such sale, the Mortgagee may bid for and purchase such property and upon compliance with the terms of sale may hold, retain and dispose of such property without further accountability therefor.

Section 3. Power of Attorney - Sale. The Mortgagee is hereby irrevocably appointed attorney-in-fact of the Shipowner to execute and deliver to any purchaser aforesaid, and is hereby vested with full power and authority to make, in the name and in behalf of the Shipowner, a good conveyance of the title to the Vessel so sold. Any person dealing with the Mortgagee or attorney-in-fact shall not be put on enquiry as to whether the

Power of Attorney has become exercisable. In the event of any sale of the Vessel, under any power herein contained, the Shipowner will, if and when required by the Mortgagee, execute such form of conveyance of the Vessel as the Mortgagee may direct or approve.

Section 4. Power of Attorney - Collection. The Mortgagee is hereby irrevocably appointed attorney-in-fact of the Shipowner upon the happening of any event of default, in the name of the Shipowner to demand, collect, receive, compromise and sue for, so far as may be permitted by law, all freight, hire, earnings, issues, revenues, income and profits of the Vessel and all amounts due from underwriters under any insurance thereon as payment of losses or as return premiums or otherwise, salvage awards and recoveries, recoveries in general average or otherwise, and all other sums due or to become due at the time of the happening of any Event of Default as defined in Section 1 of Article III hereof in respect of the Vessel, or in respect of any insurance thereon, from any person whomsoever, and to make, give and execute in the name of the Shipowner acquittances, receipts, releases or other discharges for the same, whether under seal or otherwise, and to endorse and accept in the name of the Shipowner all checks, notes, drafts, warrants, agreements and other instruments in writing with respect to the foregoing. Any person dealing with the Mortgagee or attorney-in-fact shall not be put on enquiry as to whether the Power of Attorney has become exercisable.

Section 5. Delivery of Vessel. Upon the security constituted by the Statutory Mortgage and this Deed becoming immediately enforceable pursuant to Section 1 of Article III the Mortgagee shall (in addition to the powers described in Section 1 of Article III) become forthwith entitled (but not bound) to appoint, by an instrument in writing under their respective Common Seal or under the hand of any director or officer, a receiver and/or manager (or joint receivers and/or managers) of the Mortgaged Property upon such terms as to remuneration and otherwise as the Mortgagee shall deem fit with power from time to time to remove any receiver and appoint another in his stead and any receiver shall be the agent of the Shipowner (who shall be solely responsible for his acts and defaults and remuneration) and shall have all the powers conferred by the Conveyancing and Law of Property Act, Chapter 123 (save that Section 103 of that Act shall not apply) and the Insolvency Act 1986 and by way of addition to, but without limiting, those powers any receiver shall have all the powers and entitlements conferred on the Mortgagee by this Deed and generally shall be entitled to the same protections and to exercise the same powers and discretions as are granted to the Mortgagee under this Deed.

Section 6. Mortgagee to Discharge Liens. The Shipowner authorizes and empowers the Mortgagee or its appointees or any of them to appear in the name of the Shipowner, its successors and assigns, in any court of any country or nation of the world where a suit is pending against the Vessel because of or on account of any alleged lien against the Vessel from which the Vessel has not been released and to take such proceedings as to them or any of them may seem proper towards the defense of such suit and the purchase or discharge of such lien, and all expenditures made or incurred by them or any of them for the purpose of such defense or purchase or discharge shall be a debt due from the Shipowner, its successors and assigns, to the Mortgagee, and shall be secured by the lien of this Deed in like manner and extent as if the amount and description thereof were written herein.

Section 7. Payment of Expenses. The Shipowner covenants that upon the happening of any one or more of the Events of Default, then, upon written demand of the Mortgagee, the Shipowner will pay to the Mortgagee the whole amount due and payable in respect of the Indebtedness secured hereby; and in case the Shipowner shall fail to pay the same forthwith upon such demand, the Mortgagee shall be entitled to recover judgment for the whole amount so due and unpaid, together with such further amounts as shall be sufficient to cover the reasonable compensation to the Mortgagee or its agents, attorneys and counsel any necessary advances, expenses and liabilities made or incurred by it hereunder. All moneys collected by the Mortgagee under this Section 7 shall be applied by the Mortgagee in accordance with the provisions of Section 11 of this Article III.

Section 8. Remedies Cumulative. Each and every power and remedy herein given to the Mortgagee shall be cumulative and shall be in addition to every other power and remedy herein given or now or hereafter existing at law, in equity, in admiralty or by statute, and each and every power and remedy whether herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Mortgagee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other power or remedy. The Mortgagee shall not be required or bound to enforce any other of its rights under any of other Security Documents (as such term is defined in the Loan Agreement) prior to enforcing its rights under the Statutory Mortgage and this Deed. No delay or omission by the Mortgagee in the exercise of any right or power or in the pursuance of any remedy accruing upon any default as above defined shall impair any such right, power or remedy or be construed to be a waiver of any such event of default or to be an acquiescence therein; nor shall the

acceptance by the Mortgagee of any security or of any payment of or on account of the Indebtedness hereby secured maturing after any event of default or of any payment on account of any past default be construed to be a waiver of any right to exercise its remedies due to any future event of default or of any past event of default not completely cured thereby. No consent, waiver or approval of the Mortgagee shall be deemed to be effective unless in writing and duly signed by an authorized signatory of the Mortgagee; any waiver by the Mortgagee of any of the terms of this Deed or any consent given under this Deed shall only be effective for the purpose and on the terms which it is given and shall be without prejudice to the right to give or withhold consent in relation to future matters (which are either the same or different).

Section 9. Cure of Defaults. If at any time after an event of default and prior to the actual sale of the Vessel by the Mortgagee or prior to any enforcement or foreclosure proceedings the Shipowner offers completely to cure all events of default and to pay all expenses, advances and damages to the Mortgagee consequent on such events of default, with interest at the interest rate set forth in Clause 3.02 of the Loan Agreement, then the Mortgagee may, but shall not be obligated to, accept such offer and payment and restore the Shipowner to its former position, but such action, if taken, shall not affect any subsequent event of default or impair any rights consequent thereon.

Section 10. Discontinuance of Proceedings. In case the Mortgagee shall have proceeded to enforce any right, power or remedy under this Deed by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Mortgagee, then and in every such case the Shipowner and the Mortgagee shall be restored to their former positions and rights hereunder with respect to the property subject or intended to be subject to this Deed, and all rights, remedies and powers of the Mortgagee shall continue as if no such proceedings had been taken.

Section 11. Application of Proceeds. The proceeds of any sale of the Vessel and any and all other moneys received by the Mortgagee pursuant to or under the terms of this Deed or in any proceedings hereunder, the application of which has not elsewhere herein been specifically provided for, shall be applied as set forth in Clause 10.07 of the Loan Agreement.

Section 12. Possession Until Default. Until one or more of the events of default hereinabove described shall happen, the Shipowner (a) shall be suffered and permitted to retain

actual possession and use of the Vessel and (b) shall have the right, from time to time, in its discretion, and without application to the Mortgagee, and without obtaining a release thereof by the Mortgagee, to dispose of, free from the lien hereof, any boilers, engines, machinery, masts, spars, sails, rigging, boats, anchors, chains, tackle, apparel, furniture, fittings or equipment or any other appurtenances of the Vessel that are no longer useful, necessary, profitable or advantageous in the operation of the Vessel, first or simultaneously replacing the same by new boilers, engines, machinery, masts, spars, sails, rigging, boats, anchors, chains, tackle, apparel, furniture, fittings, equipment, or other appurtenances of substantially equal value to the Shipowner, which shall forthwith become subject to the lien of this Deed as a preferred mortgage thereon.

Section 13. Severability of Provisions, etc. (a) If any provision of this Deed should be deemed invalid or shall be deemed to affect adversely the preferred status of this Deed under any applicable law, such provision shall be void and of no effect and shall cease to be a part of this Deed without affecting the remaining provisions, which shall remain in full force and effect.

(b) In the event that the Loan Agreement, this Deed, the Statutory Mortgage, or any of the documents or instruments which may from time to time be delivered thereunder or hereunder or any provision thereof or hereof shall be deemed invalidated by present or future law of any nation or by decision of any court, this shall not affect the validity and/or enforceability of all or any other parts of the Loan Agreement, this Deed or the Statutory Mortgage or such documents or instruments and, in any such case, the Shipowner covenants and agrees that, on demand, it will execute and deliver such other and further agreements and/or documents and/or instruments and do such things as the Mortgagee in its sole discretion may reasonably deem to be necessary to carry out the true intent of this Deed, the Statutory Mortgage and the Loan Agreement.

(c) In the event that the title, or ownership of the Vessel shall be requisitioned, purchased or taken by any government of any country or any department, agency or representative thereof, pursuant to any present or future law, proclamation, decree order or otherwise, the lien of this Deed shall be deemed to attach to the claim for compensation therefor, and the compensation, purchase or other taking of such title or ownership is hereby agreed to be payable to the Mortgagee, who shall be entitled to receive the same and shall apply it as provided in Section 11 of this Article III. In the event of any such requisition, purchase or taking, and the failure of the Mortgagee to receive proceeds as herein provided, the Shipowner

shall promptly execute and deliver to the Mortgagee such documents, if any, as in the opinion of the Mortgagee may be necessary or useful to facilitate or expedite the collection by the Mortgagee of such part of the compensation, purchase price, reimbursement or award as is payable to it hereunder.

(d) Anything herein to the contrary notwithstanding, it is intended that nothing herein shall waive the preferred status of the Statutory Mortgage, and if any provision of this Deed or portion thereof shall be construed to waive the preferred status of the Statutory Mortgage, then such provision to such extent shall be void and of no effect.

ARTICLE IV

Sundry Provisions

Section 1. Successors and Assigns. All of the covenants, promises, stipulations and agreements of the Shipowner in this Deed contained shall bind the Shipowner and its successors and assigns and shall inure to the benefit of the Mortgagee and its successors and assigns. In the event of any assignment or transfer of this Deed, the term "Mortgagee", as used in this Deed, shall be deemed to mean any such assignee or transferee.

Section 2. Power of Substitution. Wherever and whenever herein any right, power or authority is granted or given to the Mortgagee, such right, power or authority may be exercised in all cases by the Mortgagee or such agent or agents as it may appoint, and the act or acts of such agent or agents when taken shall constitute the act of the Mortgagee hereunder.

Section 3. Counterparts. This Deed may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 4. Notices. Any notice or other communication to be given pursuant hereto shall be transmitted by telex and immediately thereafter confirmed by postage prepaid letter and addressed as set forth in Clause 15.04 of the Loan Agreement.

Section 5. Statutory Mortgage. This Deed accompanies and is to be read with and forms part of the Statutory Mortgage dated the date hereof and shall be effective from the date hereof.

Section 6. Conveyancing and Law of Property Act, Chapter 123. The Shipowner hereby waives the entitlement conferred by Section 19 of the Conveyancing and Law of Property Act, Chapter 123 and agrees that Section 22 of that Act shall not apply to the security created by the Statutory Mortgage and this Deed. For the avoidance of doubt, the powers of the Mortgagee and any receiver by virtue of the Statutory Mortgage and this Deed shall not be limited to those specified in Section 21 of the Conveyancing and Law of Property Act, Chapter 123.

Section 7. Further Assurances. The Shipowner shall execute and do all such assurances, acts and things as the Mortgagee or any receiver in its absolute discretion may require for:-

(a) perfecting or protecting the security created (or intended to be created) by the Statutory Mortgage and this Deed; or

(b) preserving or protecting any of the rights of the Mortgagee under the Statutory Mortgage and this Deed (or either of them); or

(c) ensuring that the security constituted by the Statutory Mortgage and this Deed and the covenants and obligations of the Shipowner under this Deed shall enure to the benefit of assignee of the Mortgagee); or

(d) facilitating the appropriation or realization of the Mortgaged Property or any part thereof and enforcing the security constituted by the Statutory Mortgage and this Deed on or at any time after the same shall have become enforceable; or

(e) the exercise of any power, authority or discretion vested in the Mortgagee under the Statutory Mortgage and this Deed (or either of them),

in any such case, forthwith upon demand by the Mortgagee and at the expense of the Shipowner.

Section 8. Governing Law. (a) This Deed shall be governed by, and construed in accordance with, Bahamian Law.

(b) In relation to any legal action or proceeding arising out of or in connection with the Statutory Mortgage and this Deed (or either of them), and for the exclusive benefit of the Mortgagee, the Shipowner hereby irrevocably and unconditionally:-

(i) submits to the non-exclusive jurisdiction of the federal and state courts of the State of New York and waives any objection to proceedings with respect to the Statutory Mortgage and this Deed (or either of them) in such courts on the grounds of venue or inconvenient forum;

(ii) appoints CT Corporation Systems, 1633 Broadway, New York, New York 10019 as its agent for service of process in respect of proceedings before such courts and undertakes to maintain throughout the term of the Statutory Mortgage and this Deed an agent in New York for such purposes; and

(iii) WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THE STATUTORY MORTGAGE AND THIS DEED (OR EITHER OF THEM).

Nothing in this Clause shall affect the right of the Mortgagee to serve process in any other manner permitted by law or limit the right of the Mortgagee to take proceedings with respect to the Mortgage and this Deed (or either of them) in any jurisdiction (including, without limitation, any jurisdiction where any part of the Mortgaged Property may be located) nor shall the taking of proceedings with respect to the Statutory Mortgage and this Deed (or either of them) in any jurisdiction preclude the Mortgagee from taking proceedings in any other jurisdiction or jurisdictions, whether concurrently or not.

(c) Without prejudice to the generality of the foregoing Section 8(b) the Mortgagee shall have the right to arrest and take action against the Vessel at whatever place the Vessel shall be found lying and for the purpose of any action which the Mortgagee may bring before the Courts of such jurisdiction or other judicial authority and for the purpose of any action which the Mortgagee may bring against the Vessel, any writ, notice, judgment or other legal process or documents may (without prejudice to any other method of service under applicable law) be served upon the Master of the Vessel (or upon anyone acting as the Master) and such service shall be deemed good service on the Shipowner for all purposes.

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IN WITNESS WHEREOF, the parties have caused this Deed
to be duly executed the day and year first above written.

SIGNED, AND DELIVERED)
by)

the duly authorized)
Attorney-in-Fact of)
DOROTHY M., LIMITED PARTNERSHIP)

SIGNED, AND DELIVERED)
by)

BERGEN BANK A/S,)
Title)

SECURITY AGREEMENT

Dated as of April 12, 1989

BETWEEN

PLM INCOME ADVANTAGE FUND,
(a California Limited Partnership)

DEBTOR

AND

BERGEN BANK A/S, SECURED PARTY

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Acknowledgements

EXHIBIT A	Description of Equipment
EXHIBIT B	Form of Consent to Assignment

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement") dated as of April 12, 1989, between PLM INCOME ADVANTAGE FUND, a California limited partnership (the "Debtor") and BERGEN BANK A/S, a banking organization operating under the laws of Norway, as agent for itself and the other Banks (the "Banks") listed on Schedule 1 to the Loan Agreement (as defined below) (the "Secured Party").

W I T N E S S E T H:

WHEREAS, the Debtor has purchased 450 railroad cars, which cars are more fully described in Exhibit A hereto (such cars, hereinafter called individually, an "Item of Equipment" and collectively, the "Equipment");

WHEREAS, the Equipment is currently leased to the Detroit Edison Co. (the "Lessee") pursuant to a lease, dated as of May 14, 1975, as amended (the "Lease").

WHEREAS, the Debtor proposes to refinance all of the purchase price of the Equipment by entering into a Loan Agreement (the "Loan Agreement") of even date herewith between the Debtor, Dorothy M., Limited Partnership ("DMLP"), First Security Bank of Utah, National Association, not in its individual capacity but solely as Owner Trustee pursuant to a certain Trust Agreement, dated as of February 24, 1988, as amended (collectively, the "Borrowers"), PLM Financial Services, Inc., the general partner of the Debtor, Dorothy M. Inc., the general partner of DMLP, and the Secured Party, pursuant to which the Secured Party will make a loan ("the Loan") to the Borrowers, and to secure its obligations under the Loan Agreement by a grant hereunder to the Secured Party of a security interest in the Equipment and the Lease with respect to the Equipment;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants contained herein, the parties hereto agree as follows:

Section 1. DEFINITIONS.

Unless the context otherwise requires, for all purposes of this Agreement the following terms shall have the following meanings (such definitions to be equally applicable to both the singular and plural forms of the terms defined):

"Basic Rent" shall mean quarterly rental as provided for in Paragraph 4 of Supplement No. 2, dated as of January 30, 1976, to the Lease.

"Bill of Sale" shall mean the Bill of Sale from the seller of each Item of Equipment to the Debtor evidencing the transfer of title thereto to the Debtor.

"Business Day" shall have the meaning specified in Section 8.1 hereof.

"Collateral" shall have the meaning specified in Section 3 hereof.

"Consent" shall mean the Consent to Assignment signed by the Lessee, substantially in the form of Exhibit B annexed hereto.

"Equipment" shall have the meaning specified in the Recitals hereof.

"Event of Default" shall have the meaning specified in Section 6.1 hereof.

"Item of Equipment" shall have the meaning specified in the Recitals hereof.

"Lease" shall mean the Lease Agreement dated as of May 14, 1975 between the Debtor and the Lessee, as amended by (i) Supplement No. 1, dated as of May 14, 1975, (ii) Supplement No. 2, dated as of January 30, 1976, (iii) Amendment to Supplement No. 2, dated as of January 30, 1976, (iv) Assignment and Assumption Agreement, dated as of September 28, 1988 and (v) Assignment and Assumption of Lease Agreement, dated as of December 30, 1988.

"Lease Event of Default" shall mean an event of default as defined and set forth in Paragraph X of the Lease.

"Lessee" shall mean Detroit Edison Co., a Michigan corporation, as lessee under the Lease.

Capitalized terms used but not defined herein are used as defined in the Lease or Loan Agreement, as the case may be.

Section 2. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE DEBTOR.

The Debtor represents, warrants and covenants that

(a) The Debtor is a limited partnership duly organized, validly existing and in good standing under the laws of the State of California and is duly licensed or

**The Lease Agreement and Supplement No. 1 were each recorded by the Interstate Commerce Commission (the "ICC") on May 20, 1975 and the Lease Agreement was assigned recordation number 7928 and Supplement No. 1 was assigned recordation number 7928A; Supplement No. 2 was recorded by the ICC on February 3, 1976 and was assigned recordation number 7928B; Amendment to Supplement No. 2 was recorded by the ICC on February 10, 1976 and was assigned recordation number 7928C; and the Assignment and Assumption Agreement dated as of September 28, 1988 was recorded by the ICC on September 28, 1988 and assigned recordation number 7928D.

qualified to do business as a foreign limited partnership in good standing in each jurisdiction in which such qualification is required.

(b) The Debtor has full power and authority to execute, deliver and perform this Agreement.

(c) This Agreement and the Lease have each been duly authorized, executed and delivered by the Debtor and constitute the legal, valid and binding obligations of the Debtor enforceable against it in accordance with the terms thereof, except to the extent that enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally and except to the extent that enforcement is subject to general principles of equity (including but not limited to all matters of public policy) regardless of whether such enforceability is considered in a proceeding in equity or at law.

(d) No authorization, consent or approval of any governmental authority is required for the execution, delivery or performance by the Debtor of this Agreement.

(e) Neither the execution, delivery or performance by the Debtor of this Agreement, nor compliance with the terms and provisions thereof, conflicts or will conflict with or will result in a breach or violation of any of the conditions or provisions of any law, governmental rule or regulation or the partnership agreement, as amended, or partnership certificate, as amended, of the Debtor, or any order, writ, injunction or decree of any court or governmental authority against the Debtor or by which it or any of its properties is bound, or of any indenture, mortgage or contract or other agreement or instrument to which the Debtor is a party or by which it or any of its properties is bound, or constitutes or will constitute a default thereunder or will result in the imposition of any lien upon any of its properties except for the security interest granted herein.

(f) The Debtor hereby warrants and represents that it has not assigned or pledged the Equipment and the Lease except for the Assignments to Irving Trust Company, which assignments shall be discharged upon the funding of the Loan, and hereby covenants that it will not assign or pledge, so long as the assignment hereunder shall remain in effect, any of its right, title or interest hereby assigned, to anyone other than the Secured Party, and that it will not with respect to the Equipment, so long as the assignment hereunder shall remain in effect, except as provided in this

Agreement, accept any payment from the Lessee with respect to the Equipment, enter into any agreement amending or supplementing the Lease as it relates to the Equipment, execute any waiver or modification of, or consent under, the terms of the Lease, settle or compromise any claim against the Lessee arising under the Lease in respect of the Equipment, or submit or consent to the submission of any dispute, difference or other matter arising under or in respect of the Lease as it relates to the Equipment to arbitration thereunder without the prior written consent of the Secured Party thereto.

(g) There are no actual, pending or, to the knowledge of any representative of the Debtor, threatened legal actions, arbitrations, or other proceedings involving the Debtor which might have an adverse effect on the validity or enforceability of this Agreement.

(h) The Debtor hereby ratifies and confirms the Lease and hereby agrees that it will not take or omit to take any action, the taking or omission of which might result in an alteration or impairment of the Lease as it relates to the Equipment, or of any of the related rights created by the Lease, or the assignment hereunder.

(i) The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth herein, in the Loan Agreement, in the Lease as it relates to the Equipment, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns to the same extent as through each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Lease were fully set out in an amendment or supplement to this Agreement.

(j) The Debtor has good and marketable title to the Collateral, free and clear of all liens (other than by, through or under the Lease, the security interest in favor of Irving Trust Company referred to in Section 2(f) above and the security interest granted herein); and the Debtor will warrant and defend the title to the Collateral against all claims and demands of all persons whatsoever except persons claiming by, through or under the Lessee or the Secured Party. The Debtor agrees to pay or discharge, at its own cost and expense, any and all claims, liens or charges (other than those arising by, through or under the Lessee or

the Secured Party) on or with respect to the Collateral. The Debtor further agrees to indemnify and hold harmless the Secured Party from and against any direct loss, costs or expenses (including legal fees and expenses) incurred, in each case, as a result of the imposition or enforcement of any such claim, lien, or charge. Without limiting the foregoing, there is no financing statement or other filed or recorded instrument in which the Debtor is named and which the Debtor has signed, as debtor or mortgagor, now on file at the Interstate Commerce Commission or in any other public office covering any of the Collateral excepting the financing statements filed in respect of the Irving Trust Company security interest referred to above and the financing statements or other instruments filed or to be filed in respect of and for the security interest provided for herein.

(k) The Debtor will, at no expense to the Secured Party, do, execute, acknowledge and deliver every and all further acts, deeds, conveyances, transfers and assurances (a) for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired and (b) as the Secured Party may consider necessary or desirable for giving full effect to this Agreement or for securing the rights of the Secured Party hereunder. Without limiting the foregoing but in furtherance of the security interest herein granted in the revenues and other sums due and to become due under the Lease, the Debtor covenants and agrees that it will cause the Lessee to be notified of and to consent to such assignment pursuant to the Consent and direct the Lessee, upon written notice by the Secured Party, to make all payments of such revenues and other sums due and to become due under the Lease, as the Secured Party may direct.

(l) The Debtor will not, without the prior written consent of the Secured Party:

- (i) declare a default or exercise the remedies of the Debtor under, or terminate or modify or accept a surrender of, or offer or agree to, any termination or modification or surrender of, or take or omit to take any action which might result in an alteration or impairment of, the Lease or by affirmative act consent to the creation or existence of any security interest or other lien to secure payment of indebtedness upon the rights created by the Lease or any part thereof; or

- (ii) receive or collect or permit the receipt or collection of any payment of Basic Rent with respect to the Equipment under the Lease prior to the date for payment thereof provided for by the Lease or assign, transfer or hypothecate (other than to the Secured Party hereunder) any such Basic Rent then due or to accrue in the future under the Lease in respect of the Equipment; or
- (iii) sell, mortgage, transfer, assign or hypothecate (other than to the Secured Party hereunder) its interest in the Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

(m) The Debtor hereby constitutes the Secured Party and its successors and assigns, the true and lawful attorney of the Debtor, irrevocably and with full power of substitution for and in the name, place and stead of the Debtor or otherwise, to demand, collect, receive, receipt for, sue for, compound and compromise and give acquittance for, any and all rents, income, profits, moneys and claims for sums which are assigned under Sections 3.1, 3.2, 3.3 and 3.4 hereof, to endorse any checks or other instruments or orders in connection therewith, to make all waivers and agreements and to file any claims (including without limitation any proof of claim in any bankruptcy proceeding commenced by or against the Lessee) or take any actions or institute any proceedings with respect thereto which the Secured Party may deem necessary or advisable in its sole and complete discretion. Anything herein contained to the contrary notwithstanding, neither the Secured Party nor its successors or assigns shall have any obligation or liability by reason of or arising out of this Agreement to make any inquiry as to the nature or sufficiency of, to present or file any claim with respect to, or to take any action to collect or enforce the payment of, any amounts to which it may be entitled at any time by virtue of this Agreement. Upon written request from the Debtor, such request to be made no more frequently than once a month, the Secured Party shall account to the Debtor for any and all rents, income, moneys and claims for sums received by the Secured Party pursuant to the grant of security herein.

(n) The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting an Event of Default under the Lease or an event which, but for the lapse of time or the giving of notice or both, would be an Event of Default

if the Debtor has actual knowledge of such event or condition.

(o) Each Item of Equipment shall meet all safety and other standards set forth in all Federal Railroad Administration and Association of American Railroads requirements.

(p) The Debtor will furnish the Secured Party promptly upon receipt thereof, duplicates or copies of all reports, notices, requests, demands, certificates, financial statements and other instruments furnished to the Debtor under the Lease, but to the extent the same relate to equipment leased thereunder only such documents and instruments that relate to the Equipment.

(q) The Debtor will cause (i) the Consent to be signed by the Lessee and (ii) the Lease, this Agreement and the Consent to be duly filed and recorded contemporaneously herewith in conformity with 49 U.S.C. Section 11303 of the Interstate Commerce Act and in such other places within the United States as may be reasonably requested by the Secured Party as necessary for the protection of the title of the Debtor to, or the security interest of the Secured Party in, the Equipment.

(r) The Debtor shall furnish to the Secured Party such evidence of the Debtor's compliance with Section 2(q) hereof, including, without limitation, certificate of Officers of the Lessee, the Debtor, public officials and others, and legal opinions, as the Secured Party may reasonably require to establish to its satisfaction the fulfillment of such compliance.

Section 3. GRANT OF SECURITY.

The Debtor, in order to secure the prompt payment of the principal of, premium (if any) and interest on the Loan, and to secure the payment of all other indebtedness of the Debtor to the Agent pursuant to the Loan Agreement, the Secured Promissory Note and the other Security Documents and the performance and observance of all covenants and conditions herein and in the Loan Agreement, and for the benefit of the Secured Party and the Banks, does hereby convey, warrant, mortgage, pledge, assign and grant to the Secured Party, its successors and assigns, for the security and benefit of the Secured Party, a first priority security interest in all of the Debtor's right, title and interest in and to the properties, rights, interests and privileges described in Sections 3.1, 3.2, 3.3 and 3.4 hereof, whether now owned or hereafter acquired, and all proceeds

thereof, (all of which properties, rights, interests and privileges hereby mortgaged, assigned and pledged, or intended so to be, are hereinafter collectively referred to as the "Collateral").

3.1 Equipment Collateral. Collateral includes the Equipment identified in Exhibit A attached hereto and made a part hereof and in any amendments or additions to such exhibit hereafter attached hereto and filed herewith together with all accessories, equipment, parts and appurtenances appertaining or attached to any of the Equipment, whether now owned or hereafter acquired, and all substitutions, renewals or replacements of, and additions, improvements, accessions and accumulations to, or proceeds of any and all of said Equipment, together with all the rents, issues, income, profits, avails and other proceeds (including insurance proceeds) therefrom.

3.2 Lease Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under the Lease relating to the Equipment, including any extensions of the term of the Lease relating to any of the Equipment with respect to the Equipment identified in Exhibit A attached hereto, together with all rights, powers, privileges, options and other benefits of the Debtor under the said Lease, including, without limitation:

(1) the immediate and continuing right to receive and collect all Basic Rent and loss value payments, insurance proceeds, condemnation awards and other payments, proceeds, tenders and security now or hereafter payable to or receivable by the Debtor under said Lease or pursuant thereto relating to the Equipment, together with the immediate and continuing right to receive and collect same;

(2) the right to make all consents, waivers and agreements and to enter into any amendments relating to the Lease as such relate to the Equipment or any provision thereof; provided, however, that the Secured Party shall be under no obligation to take such actions; and

(3) the right to take such action upon the occurrence of an Event of Default under said Lease or an event which with the lapse of time or giving of notice, or both, would constitute an Event of Default under said Lease, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Lease or by law, and to do any and all other things whatsoever which the Debtor or its successors and assigns is or may be entitled to do under the Lease;

it being the intent and purpose hereof that the assignment and transfer to the Secured Party of said rights, powers, privileges, options and other benefits shall be effective and operative immediately and shall continue in full force and effect, and the Secured Party shall have the right to collect and receive Basic Rent and loss value payments, insurance proceeds, condemnation awards and other payments with respect to the Equipment for application in accordance with the provisions of Sections 5 and 6 hereof at all times during the period from and after the date of this Agreement until the indebtedness hereby secured has been fully paid and discharged.

It is expressly agreed that anything herein contained to the contrary notwithstanding, the Debtor shall remain liable under the Lease to perform all of the obligations assumed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof, and the Secured Party shall have no obligation or liability under the Lease by reason of or arising out of the assignment hereunder, nor shall the Secured Party be required or obligated in any manner to perform or fulfill any obligations of the Debtor under or pursuant to the Lease or, except as herein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

3.3 Bank Account Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in, to and under that certain bank account maintained by the Debtor at Security Pacific National Bank, Los Angeles, California, ABA #122000043, PLM Income Advantage, Account No. 512-827335. Collateral also includes, without limitation, all funds in such bank account from time to time, whether now owned or hereafter acquired, all interest earned by funds in such account, and all other proceeds of such account.

3.4 Purchase Price Collateral. Collateral also includes all right, title, interest, claims and demands of the Debtor in the Purchase Price, as defined in the Repurchase Guaranty ("Repurchase Guaranty"), dated as of April 12, 1989, by PLM International Inc. in favor of the Banks, and any moneys received by Debtor under the Repurchase Guaranty.

Section 4. POSSESSION, USE AND RELEASE OF PROPERTY.

4.1 Possession of Collateral. So long as no Event of Default, or event which with time or notice or both would constitute an Event of Default, has occurred and is continuing,

the Debtor shall be suffered and permitted to remain in full possession, enjoyment and control of the Equipment and to manage, operate and use the same and each part thereof with the rights and franchises appertaining thereto; provided always that the possession, enjoyment, control and use of the Equipment shall at all times be subject to the observance and performance of the terms of the Loan Agreement, the Secured Promissory Note, this Agreement, the other Security Documents and the Lease. It is expressly understood that the use and possession of the Equipment by the Lessee under and subject to the Lease shall not constitute a violation of this Section 4.1.

4.2 Release of Property. So long as no Event of Default, or event which with time or notice or both would constitute an Event of Default, has occurred and is continuing, the Secured Party shall execute a release in respect of any Item of Equipment withdrawn, lost or destroyed as referred to in Paragraph VIII of the Lease upon receipt from the Lessee of written notice designating the Item of Equipment in respect of which the Lease will terminate and receipt by the Secured Party of the Loan Value with respect thereto, or upon receipt by the Secured Party of evidence that any withdrawn Item of Equipment has been substituted in accordance with the terms of Paragraph VIII of the Lease. After payment in full of all the indebtedness hereby secured, the Secured Party shall, upon the written request of the Debtor, execute and deliver to, or as directed in writing by, the Debtor, such instruments (in due form for filing and recording) as may be reasonably requested and furnished by the Debtor, releasing the Equipment from, and terminating and discharging, this Agreement and the security interests created hereby or pursuant hereto.

4.3 Protection of Purchaser. No purchaser in good faith of property purporting to be released hereunder shall be bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any item or unit of the Collateral be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

Section 5. APPLICATION OF CERTAIN MONEYS RECEIVED BY THE SECURED PARTY.

5.1 Application of Casualty Payments. So long as no Event of Default or event which, but for the lapse of time or the giving of notice or both would constitute an Event of Default shall have occurred and be continuing, the amounts from time to time received by the Secured Party pursuant to the Lease in respect of the Equipment under circumstances which constitute

payment for a Total Loss with respect to any Item of Equipment shall be paid and applied as set forth in Clause 4.02 of the Loan Agreement.

5.2 Default. If an Event of Default, or event which, but for the lapse of time or the giving of notice or both, would constitute such an Event of Default, shall have occurred and be continuing, all amounts received by the Secured Party shall be held until (i) such event or condition has been cured or (ii) such amounts are applied in the manner provided for in Section 6.6 hereof.

Section 6. DEFAULTS AND OTHER PROVISIONS.

6.1 Events of Default. The term Event of Default shall mean one or more of the following events (whatever the reason for such Event of Default and whether such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Any Event of Default under the Loan Agreement;

(b) A Lease Event of Default shall have occurred and be continuing unless the Debtor shall have cured or shall have caused the cure of such Lease Event of Default and the corresponding Event of Default hereunder within the expiration of the applicable grace period; provided, however, that if more than twelve Lease Events of Default in total or if more than six consecutive Lease Events of Default shall have occurred resulting from failure to make any payment of Basic Rent in respect of the Equipment, any such Lease Event of Default shall be an Event of Default hereunder whether or not the corresponding Event of Default thereunder is cured; or

(c) Any claim, lien or charge arising by, through or under the Debtor shall be asserted against or levied or imposed upon the Equipment or any Item of the Equipment.

6.2 Secured Party's Rights. If any Event of Default shall have occurred and be continuing, the Secured Party shall have the rights, options, duties and remedies (i) as set forth in Clause 8.01 of the Loan Agreement and (ii) of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of the State of New York (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted); and:

(a) At the request of the Secured Party, the Debtor shall promptly execute and deliver to the Secured Party such instruments of title and other documents as the Secured Party may deem necessary or advisable to enable the Secured Party or an agent or representative designated by the Secured Party, at such time or times and place or places as the Secured Party reasonably may specify, to obtain possession of all or any part of the Collateral to which the Secured Party shall at the time be entitled hereunder; if the Debtor shall for any reason fail to execute and deliver such instruments and documents after such request by the Secured Party, (i) the Secured Party may obtain a judgment conferring on the Secured Party the right to immediate possession and requiring the Debtor to execute and deliver such instruments and documents to the Secured Party, to the entry of which judgment the Debtor hereby specifically consents, and/or (ii) consistent with the Lessee's right of quiet enjoyment under the Lease the Secured Party personally or by agents or attorneys, shall have the right to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any premises, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the Collateral, or, to the extent permitted by law, use and operate or lease the Collateral until sold;

(b) Upon every such taking of possession, the Secured Party may, from time to time, at the expense of the Collateral, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Collateral, as it may deem proper, including the right to enter into any and all such agreements with respect to the maintenance, use, operation, storage, leasing, control, management or disposition of the Collateral or any part thereof as the Secured Party may determine; and the Secured Party shall be entitled to collect and receive directly all tolls, rents (including rental under the Lease in respect of the Equipment), revenues, issues, income, products and profits of the Collateral and every part thereof, except, without prejudice, however, to the right of the Secured Party under any provision of this Agreement to collect and receive all cash held by, or required to be deposited with the Secured Party hereunder;

(c) The Secured Party may, if at the time such action may be lawful (subject to compliance with any mandatory legal requirements), either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date of such sale, sell and dispose of said Collateral, or any part thereof, at public auction to the highest

bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to; provided, however, that any such sale should be held in a commercially reasonable manner provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Debtor should tender full payment of the total unpaid balance of the Loan, together with interest thereon accrued and unpaid and all other payments due under the Loan Agreement as well as expenses of the Secured Party in retaking possession of, removing, storing, holding and preparing the Equipment for and otherwise arranging for the sale and the Secured Party's reasonable attorneys' fees, then upon receipt of such payment, expenses and fees by the Secured Party, absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Debtor. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and the Secured Party, or of any interest therein, or the Debtor may bid and become the purchaser at any such sale;

(d) The Secured Party may proceed to protect and enforce this Agreement, the Loan Agreement and the Lease as it relates to the Equipment by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law;

(e) The Secured Party may proceed to exercise all rights, privileges and remedies available to the Debtor under the terms of the Lease including, without limitation, the right to terminate the Lease as it relates to the Equipment and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party; and

(f) The Debtor will pay all reasonable actual fees, costs and expenses, including attorneys fees incurred by the Secured Party in enforcing its rights and remedies under the terms of this Agreement.

6.3 Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or

decree of any court or otherwise in connection with the enforcement of any of the terms of this Agreement, the aggregate principal amount of the Loan, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable.

6.4 Waiver by Debtor. To the extent permitted by law, the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force providing for the valuation or appraisal of the Collateral or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained or to a decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every person all benefit and advantage of any such law or laws and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted; provided, however, that any such sale or sales shall be made in a commercially reasonable manner.

6.5 Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the property sold and shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all persons claiming the property sold or any part thereof under, by or through the Debtor, its successors or assigns.

6.6 Application of Sale Proceeds. The proceeds of any sale of the Collateral, or any part thereof, and the proceeds of any remedy hereunder and any other amounts received by the Secured Party pursuant to this Agreement after an Event of Default shall have occurred and be continuing shall be paid to and applied as set forth in Clause 10.07 of the Loan Agreement.

6.7 Discontinuance of Remedies. In case the Secured Party shall have proceeded to enforce any right under this Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then, and in

every such case, the Debtor and the Secured Party shall be restored to their former positions and rights hereunder with respect to the property subject to the security interest created under this Agreement.

6.8 Cumulative Remedies. No delay or omission of the Secured Party to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. The Secured Party may exercise any one or more or all of the remedies hereunder and no remedy is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing now or hereafter at law or in equity; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Agreement operate to prejudice, waive or affect the security of this Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

6.9 Indemnity. Except for the negligent or wilfull acts of the Secured Party, the Debtor agrees to protect, indemnify and hold the Secured Party, its successors and assigns, directors, officers, employees, servants and agents, harmless from and against any and all costs, expenses, causes of action, suits, damages, losses, penalties, claims, demands or judgments of any nature whatsoever which may be imposed on, incurred by or asserted against the Secured Party in any way relating to or arising or alleged to arise out of this Agreement or the Lease.

Section 7. TRANSFER OF DEBTOR'S INTEREST.

The Debtor agrees that it will not sell or otherwise transfer its interest in the Equipment or the Lease as it relates to the Equipment, or any part thereof, without the prior written consent of the Secured Party.

Section 8. MISCELLANEOUS.

8.1 Business Days. As used herein, the term "Business Day" means a day on which banks and financial markets are open for business in Oslo, New York City or San Francisco, California.

8.2 Successors and Assigns. Whenever any of the parties hereto is referred to such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

8.3 Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

8.4 Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mails, certified first class, postage prepaid, addressed as follows:

If to the Debtor:

PLM Income Advantage Fund
655 Montgomery Street
San Francisco, California 94111

with a copy to:

PLM Financial Services, Inc.
655 Montgomery Street
San Francisco, California 94111

Attention: J. Herbert Gaul
Telex: 34430
Telecopy: (415) 433-9152

If to the Secured Party:

Bergen Bank A/S
Kirkegaten 23
0153 Oslo 1
Norway

Attention: Loan Administration
Telex: 400640
Telecopy: 47-2-336901

with a copy to:

Haight, Gardner, Poor and Havens
195 Broadway
New York, New York 10007

Attention: Thomas J. Whalen, Esq.
Telex: 177190 HGPH UT
Telecopy: (212) 385-9010

or to the Debtor or the Secured Party at such other address as the Debtor or the Secured Party may designate by notice duly given in accordance with this Section to the other party.

8.5 Governing Law. This Agreement and the Note shall be construed in accordance with and governed by the laws of the State of New York, without regard to principles of conflicts of laws; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. Sec. 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof, as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited; and provided, further, that the laws of the State of California shall apply to all security interests in deposit accounts, and proceeds thereof, located in the State of California.

8.6 Counterparts. This Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Agreement.

8.7 Table of Contents and Headings. The Table of Contents hereto and any headings or captions preceding the text of the several sections hereof are intended solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

8.8 Marking of Equipment. The Debtor will cause each Item of Equipment to be kept numbered and conspicuously marked indicating that ownership in the Item of Equipment is subject to a Security Agreement filed with the Interstate Commerce Commission. The Debtor will not permit the identifying number of any Item of Equipment to be changed except in accordance with a statement of new number or numbers to be substituted therefor which previously shall have been filed by or on behalf of the Debtor in all public offices where this Agreement shall have been filed. Except as aforesaid, the Debtor will not allow the name of any person, association or corporation to be placed on any

Item of Equipment as a designation that might be interpreted as a claim of ownership or lien; provided, however, that the Equipment may be lettered with the names or initials or other insignia customarily used by the Lessee.

8.9 Submission to Jurisdiction. The Debtor hereby irrevocably submits to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County, of the United States of America, and to the jurisdiction of the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or the subject matter hereof brought by the Secured Party or its successors or assigns, and the Debtor hereby irrevocably agrees that all claims in respect of such action or proceeding may be that all claims in respect of such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by law, in such Federal court, and the Debtor hereby agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such courts. The Debtor hereby generally appoints as its attorney-in-fact, to receive service of process in such action, suit or proceeding CT Corporation System, 1633 Broadway, New York, New York 10019. The Debtor agrees that (without prejudice to any other lawful method of service) service of process upon such attorney-in-fact shall constitute valid service upon the Debtor or its successors or assigns.

8.10 WAIVER OF JURY TRIAL. BOTH DEBTOR AND THE SECURED PARTY HEREBY IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER FUNDAMENTAL AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

IN WITNESS WHEREOF, the Debtor and the Secured Party
have executed this Agreement as of the day and year first above
written.

PLM INCOME ADVANTAGE FUND
(A California Limited Partnership)

By: PLM Financial Services, Inc.,
General Partner

By: _____
Authorized Officer

BERGEN BANK A/S

By _____
Name:
Title:

STATE OF NEW YORK)
 : ss.:
COUNTY OF NEW YORK)

On this 12th day of April, 1989, before me personally appeared J. Herbert Gaul, Jr., to me personally known, who being by me duly sworn, says that he is the Vice President of PLM FINANCIAL SERVICES, INC., the General Partner of PLM INCOME ADVANTAGE FUND, that said instrument was signed on behalf of said limited partnership by authority of its General Partner; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said limited partnership.

Notary Public

STATE OF NEW YORK)
 : ss.:
COUNTY OF NEW YORK)

On this 12th day of April, 1989, before me personally appeared Anders Hoegh, to me personally known, who being by me duly sworn, says that he is Assistant General Manager of BERGEN BANK A/S, that said instrument was signed on behalf of said bank by authority of its Audit Committee; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said bank.

Notary Public

EXHIBIT A

(to the Security Agreement)

DESCRIPTION OF EQUIPMENT

Description of Railcars:

450 Pullman - standard 53'1"
100 ton all steel high side
fixed end gondolas, 4,000
cubic foot capacity

Road Numbers:

All DEEX

6106-6113

6115-6134

6136-6137

6139-6149

6151-6153

6155-6162

6164-6199

6201-6219

6221-6254

6256-6268

6270

6272-6273

6276-6292

6294-6297

6299-6302

6305-6310

6312-6321

6323

6325-6340

6342-6358

6360-6366

6368-6374

6376-6393

6395-6403

6405-6427

6430-6445

6447-6460

6462-6477

6479-6498

6500-6502

6504-6510

6512-6518

6520-6524

6527-6530

6533-6545

6547-6554

6556-6560

6562-6565

6567-6574

6576-6582

6584-6593

8001-8007

EXHIBIT B

(to the Security Agreement)

FORM OF CONSENT TO ASSIGNMENT

THIS CONSENT TO ASSIGNMENT dated as of April 12, 1989 ("Consent") among PLM INCOME ADVANTAGE FUND, a California limited partnership ("Lessor"), BERGEN BANK A/S, a banking organization operating under the laws of Norway, as Agent for itself and the other Banks listed on Schedule I to the Loan Agreement (as defined below) ("Secured Party"), and DETROIT EDISON CO., a Michigan corporation ("Lessee").

W I T N E S S E T H:

A. Lessor and Lessee are parties to the Railcar Lease, pursuant to which Lessor has leased to Lessee the Railcars listed in Schedule A hereto (the "Railcars") in addition to other railcars.

B. Concurrently with the execution hereof, Lessor, Dorothy M., Limited Partnership ("DMLP"), First Security Bank of Utah, National Association, not in its individual capacity but solely as Owner Trustee pursuant to a certain Trust Agreement, dated as of February 24, 1988, as amended, PLM Financial Services, Inc., general partner of Lessor, Dorothy M. Inc., general partner of DMLP and the Secured Party are executing the Loan Agreement dated as of April 12, 1989 (the "Loan Agreement"), pursuant to which Lessor will borrow from the Secured Party a portion of the funds necessary to maintain its investment in the Railcars.

C. Concurrently with the execution hereof, Lessor and the Secured Party are executing the Security Agreement dated as of April 12, 1989 (the "Security Agreement"), pursuant to which Lessor will transfer to the Secured Party a security interest in the Railcars and assign to the Secured Party Lessor's rights and interests in and under the Lease with respect to the Railcars to secure Lessor's obligation to repay the funds borrowed from the Secured Party.

D. Lessee is willing to consent to such assignment of the Lease.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and intending to be legally bound, the parties hereto agree as follows:

1. Consent of Lessee to Assignment as Security to Agent. Lessee hereby acknowledges and consents to the assignment of the Lease with respect to the Railcars by Lessor to the Secured Party under and pursuant to the Security Agreement and agrees for the benefit of the Secured Party as follows:

(a) To continue to make each payment of rental or other sums due under the Lease with respect to the Railcars, including interest thereon for late payment thereof ("Rent") assigned thereby by paying to Security Pacific National Bank, Los Angeles, California, ABA # 122000043, PLM Income Advantage, Account No. 512-827335, so long as any amount owed under the Loan Agreement shall be outstanding and unpaid;

(b) That so long as any amount shall be outstanding and unpaid under the Loan Agreement, all rights of Lessor with respect to the Lease and the Railcars or any part thereof shall be exercisable by the Secured Party, as assignee and secured party or lienholder;

(c) At the request of the Secured Party, to execute and file any financing statements, continuation statements or other documents reasonably necessary to create, perfect, protect and preserve the priority security interest acquired, or intended to be acquired, by the Secured Party under the Security Agreement until all obligations of the Lessor under the Loan Agreement shall have been fulfilled;

(d) To execute and deliver such other documents as Lessor or the Secured Party may reasonably request;

(e) That any amendment to, or any waiver, discharge or termination of, any term or provision of the Lease with respect to the Railcars (or any consent of Lessor required thereunder) shall also require the written consent of the Secured Party;

(f) That Lessee will deliver to the Secured Party at Bergen Bank A/S, Kirkegaten 23, 0513 Oslo 1, Norway, Attention: Loan Administration, Telex 400640, Telecopy 47-2-336901, a copy of all notices required to be delivered to Lessor under the Lease concurrently with the delivery of such notices to Lessor;

(g) That the Secured Party shall be a named assured and designated as a loss payee with respect to any insurance carried by Lessee pursuant to Paragraph VII of the Lease;

(h) That the Lease with respect to the Railcars is in full force and effect; and

(i) Not to seek the recovery of any payment made to the Secured Party pursuant to the Security Agreement and this Consent once such payment has been made.

2. No Further Amendments. Except as expressly modified or amended herein, all of the terms, covenants and conditions of the Lease shall remain unamended and in full force and effect.

3. Governing Law. This Consent shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of laws.

4. Counterparts. This Consent may be executed in two or more counterparts, which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this
Consent to be duly executed as of the date first above written.

PLM INCOME ADVANTAGE FUND
(A California Limited Partnership)
By: PLM Financial Services, Inc.,
General Partner

By _____
Authorized Officer
Date:

BERGEN BANK A/S

By _____
Name:
Title:
Date:

DETROIT EDISON CO.

By _____
Name:
Title:
Date:

SCHEDULE A

(to the Consent)

DESCRIPTION OF EQUIPMENT

Description of Railcars: 450 Pullman - standard 53'1"
100 ton all steel high side
fixed end gondolas, 4,000
cubic foot capacity

Road Numbers: All DEEX

6106-6113	
6115-6134	
6136-6137	6430-6445
6139-6149	6447-6460
6151-6153	6462-6477
6155-6162	6479-6498
6164-6199	6500-6502
6201-6219	6504-6510
6221-6254	6512-6518
6256-6268	6520-6524
6270	
6272-6273	6527-6530
6276-6292	6533-6545
6294-6297	
6299-6302	6547-6554
	6556-6560
6305-6310	6562-6565
6312-6321	6567-6574
6323	6576-6582
6325-6340	6584-6593
6342-6358	8001-8007
6360-6366	
6368-6374	
6376-6393	
6395-6403	
6405-6427	

CHARTER ASSIGNMENT

DOROTHY M., LIMITED PARTNERSHIP, a California limited partnership, (hereinafter called the "Assignor"), in consideration of One Dollar (\$1) lawful money of the United States of America, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has sold, assigned, transferred and set over, and by this instrument does sell, assign, transfer and set over, unto BERGEN BANK A/S (herein called the "Assignee"), as agent for itself and the other banks (herein collectively the "Banks") listed in Schedule 1 to the Loan Agreement dated as of April 12, 1989, as at any time amended, and unto the Assignee's successors and assigns, to its and its respective successors' and assigns' own proper use and benefit, all right, title and interest of the Assignor under, in and to, and hereby grants to the Assignee a security interest in (i) that certain Time Charter dated as of December 2, 1988 (hereinafter, as the same may be further amended or supplemented with the prior written consent of the Assignee, called the "Charter"), between the Assignor and The East Asiatic Co., Ltd., a corporation incorporated under the laws of Denmark (hereinafter called the "Charterer"), as charterer, covering the Bahamian registered motor vessel DOROTHY M., Official No. 399774 (hereinafter called the "Vessel"), (ii) all moneys and claims for moneys due and to become due to the Assignor from

the Charterer and all claims for damages arising out of the breach of and all rights to terminate the Charter, (iii) all moneys and claims for moneys due and to become due to the Assignor and all claims for damages in respect of the actual or constructive total loss of, or requisition of, the Vessel, (iv) that certain bank account maintained by the Assignor at Security Pacific National Bank, Los Angeles, California, ABA # 122000043, PLM Income Advantage Account No. 512-827335 and the cash contained therein from time to time, (v) the Purchase Price, as defined in the Repurchase Guaranty, dated as of April 12, 1989, by PLM International Inc. in favor of the Banks and any moneys paid to the Assignor in payment of the Purchase Price, and (vi) any proceeds of any of the foregoing.

The rights hereby assigned include, without limitation thereto, the right to perform the Charter at any time and from time to time and the right to receive all moneys due and to become due to the Assignor under the Charter and may be further assigned in connection with the enforcement of the security interest of the Assignee therein; and the obligations of the Assignor under the Charter may be performed by the Assignee or its nominee, or any other assignee(s), without releasing the Assignor therefrom or, unless otherwise expressly agreed to in

writing by the party to be bound thereby, providing for or resulting in any assumption thereof.

It is expressly agreed that anything herein contained to the contrary notwithstanding, the Assignor shall remain liable under the Charter to perform all of the obligations assumed by it thereunder and the Assignee shall have no obligation or liability under the Charter by reason of or arising out of this Assignment nor shall the Assignee be required or obligated in any manner to perform or fulfill any obligations of the Assignor under or pursuant to the Charter or to make any payment or to make any inquiry as to the nature or sufficiency of any payment received by it or to present or file any claim, or to take any other action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled hereunder at any time or times.

The Assignor does hereby ratify and confirm the Charter and does hereby warrant and represent that the Charter is in full force and effect and enforceable in accordance with its terms and that the Assignor is not in default under any of the terms thereof.

The Assignor does hereby constitute the Assignee, and its successors and assigns, the Assignor's true and

lawful attorneys, irrevocably, with full power (in the name of the Assignor or otherwise), to ask, require, demand, receive, compound and give acquittance for any and all moneys and claims for moneys due and to become due under or arising out of the Charter, to endorse any checks or other instruments or orders in connection therewith and to file any claims or to take any action or institute any proceedings which to the Assignee may seem to be necessary or advisable in the premises.

The powers and authority granted to the Assignee herein have been given for a valuable consideration and are hereby declared to be irrevocable.

The Assignor agrees that at any time and from time to time, upon the written request of the Assignee, the Assignor will obtain such consents to this assignment (substantially in the form of annexed Exhibit A) as required by the Loan Agreement and promptly and duly execute and deliver any and all such further instruments and documents as the Assignee may deem desirable in obtaining the full benefits of this Assignment and of the rights and powers herein granted.

The Assignor does hereby warrant and represent that it has not assigned or pledged, and hereby covenants

that, without the prior written consent thereto of the Assignee, so long as this Assignment shall remain in effect, it will not assign or pledge the whole or any part of the right, title and interest hereby assigned to anyone other than the Assignee, its successors or assigns, and it will not take or omit to take any action, the taking or omission of which might result in any alteration or impairment of the Charter or this Assignment or any of the rights created by the Charter or this Assignment. No amendment or modification of the Charter and no consent, waiver or approval with respect thereto shall be valid unless joined in, in writing, by the Assignee. No notice, request or demand under the Charter shall be valid as against the Assignee unless and until a copy thereof is furnished to the Assignee.

This Assignment shall be governed by the laws of the State of New York, without regard to principles of conflicts of laws, and may not be amended or changed except by an instrument in writing signed by the party against whom enforcement is sought.

The Assignor hereby irrevocably submits to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County, of the United States of America, and to the jurisdiction of the United States

District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or the subject matter hereof brought by the Assignee or its successors or assigns, and the Assignor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by law, in such Federal court, and the Assignor hereby agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the above-named courts, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such courts. The Assignor hereby generally appoints as its attorney-in-fact, to receive service of process in such action, suit or proceeding CT Corporation System, 1633 Broadway, New York, New York 10019. The Assignor agrees that (without prejudice to any other lawful method of service) service of process upon such attorney-in-fact shall constitute valid service upon the Assignor or its successors or assigns.

The Assignor hereby agrees with the Assignee to execute and file financing statements and amendments thereto

as provided in Article 9 of the Uniform Commercial Code.
The Assignor hereby irrevocably authorizes the Assignee to execute and file as its attorney-in-fact any such financing statement or similar document in the name of the Assignor. This power of attorney is coupled with an interest and shall be irrevocable so long as any indebtedness from the Assignor to the Lenders remains outstanding.

BOTH THE ASSIGNOR AND THE ASSIGNEE HEREBY
IRREVOCABLY WAIVE ALL RIGHT TO A TRIAL BY JURY IN ANY
ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR
RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED
HEREBY.

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blank).

IN WITNESS WHEREOF, the Assignor has caused this
Assignment to be duly executed this 12th day of April, 1989.

DOROTHY M., LIMITED PARTNERSHIP
(A California Limited Partnership)
By: DOROTHY M., INC.,
General Partner

By: _____
Authorized Officer

EXHIBIT A

(to the Charter Assignment)

FORM OF NOTICE AND ACKNOWLEDGEMENT
OF ASSIGNMENT

THIS NOTICE AND ACKNOWLEDGEMENT OF ASSIGNMENT dated as of April 12, 1989 ("Notice and Acknowledgement") among Dorothy M., Limited Partnership, a California limited partnership ("Assignor"), BERGEN BANK A/S, a banking organization operating under the laws of Norway, as agent for itself and the other banks set forth in Schedule 1 to the Loan Agreement defined below (collectively the "Banks"), and The East Asiatic Company Ltd., a corporation incorporated under the laws of Denmark ("Charterer").

W I T N E S S E T H:

A. On December 2, 1988, the Charterer and the Assignor executed a time charter (the "Time Charter"), pursuant to which the Assignor chartered to the Charterer the Bahamian flag vessel DOROTHY M., official No. 399774 (the "Vessel").

B. Concurrently with execution hereof, the Assignor, PLM Income Advantage Fund ("PLM"), a California limited partnership, First Security Bank of Utah, National Association, not in its individual capacity, but solely as owner trustee pursuant to a certain Trust Agreement, dated as of February 24, 1988, as amended, PLM Financial Services, Inc., as general partner of PLM, Dorothy M., Inc., as general partner of the Assignor and the Banks are executing a Loan Agreement dated as of April 12, 1989 (the "Loan Agreement"), pursuant to which, among other things, the Assignor will borrow from the Assignee a portion of the funds necessary to maintain its investment in the Vessel.

C. Concurrently with the execution hereof, the Assignor and the Assignee are executing the Charter Assignment (the "Charter Assignment") dated as of April 12, 1989, pursuant to which the Assignor will transfer to the Assignee a security interest in, among other things, the Time Charter, and moneys and proceeds arising out of the Time Charter and assign to Assignee Assignor's rights and interest in and under the Time Charter to secure, among

other things, Assignor's obligation to repay the funds borrowed from the Assignee.

D. Charterer is willing to consent to such assignment of the Time Charter.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and intending to be legally bound, the parties hereto agree as follows:

1. Consent of Charterer to Assignment as Security to Assignee. Charterer hereby acknowledges and consents to the assignment of the Time Charter by Assignor to Assignee under and pursuant to the Charter Assignment, and agrees for the benefit of Assignee as follows:

(a) To continue to make each payment of rental or other sums due under the Time Charter, including interest thereon for late payment thereof ("Rent") assigned thereby directly to Assignee by paying to the account of Dorothy M., Limited Partnership, at Bank of America, Concord, California, ABA # 121000358, PLMI - Dorothy M., Account No. 12233-04910, for so long as any amount owed under the Loan Agreement shall be outstanding and unpaid;

(b) Not to seek the recovery of any payment made to Assignee pursuant to the Charter Assignment and this Notice and Acknowledgment once such payment has been made;

(c) That so long as any amount shall be outstanding and unpaid under the Loan Agreement, all rights of Assignor with respect to the Time Charter and the Vessel shall be exercisable by Assignee, as assignee and secured party or lienholder, subject to the terms of the Charter Assignment and the Time Charter;

(d) At the request of the Assignee, to execute and file any financing statements, continuation statements or other documents necessary to create, perfect, protect and preserve the priority security interest acquired, or intended to be acquired, by Assignee under the Charter Assignment until all obligations of the Assignor under the Loan Agreement shall have been fulfilled;

(e) To execute and deliver such other documents as Assignor or Assignee may reasonably request;

(f) That any amendment to, or any waiver, discharge or termination of, any term or provision of the Time Charter (or any consent of Assignor required thereunder) shall also require the written consent of Assignee;

(g) That Charterer will deliver to Assignee at Bergen Bank A/S, Kirkegaten 23, 0153 Oslo 1, Norway, attention: Loan Administration, Telex 400640, Telecopy 47-2-336901, a copy of all notices required to be delivered to Assignor under the Time Charter concurrently with the delivery of such notices to Assignor; and

(h) That the Time Charter is in full force and effect.

2. No Further Amendments. Except as expressly modified or amended herein, all of the terms, covenants and conditions of the Time Charter shall remain unamended and in full force and effect.

3. Governing Law. This Notice and Acknowledgement shall be governed by and construed in accordance with the laws of the State of New York, without regard to principles of conflicts of laws.

4. Counterparts. This Notice and Acknowledgement may be executed in two or more counterparts, which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Notice and Acknowledgement to be duly executed as of the date first above written.

DOROTHY M., LIMITED PARTNERSHIP
(A California Limited Partnership)

By: DOROTHY M., INC.,
General Partner

By: _____
Authorized Officer

BERGEN BANK A/S

By: _____
Name:
Title:
Date:

THE EAST ASIATIC COMPANY LTD.

By: _____
Name:
Title:
Date:

ASSIGNMENT OF INSURANCE

PLM INCOME ADVANTAGE FUND, a California limited partnership ("PLM"), DOROTHY M., LIMITED PARTNERSHIP, a California limited partnership ("Owner"), and First Security Bank of Utah, National Association, not in its individual capacity but solely as Owner Trustee under the Trust Agreement ("Owner Trustee") (hereinafter collectively called the "Assignors"), in consideration of One Dollar (\$1) lawful money of the United States of America, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner as owner of the Bahamian flag vessel DOROTHY M. Official No. 399774 (the "Vessel"), PLM as owner of 450 railcars more fully described in Schedule 1 annexed hereto (the "Railcars") and Owner Trustee as owner of a Boeing 737-200 A, Registration No. N368DE, (the "Aircraft"), have sold, assigned, transferred and set over and by this instrument hereby sell, assign, transfer and set over and grant, a security interest unto Bergen Bank A/S (hereinafter called the "Assignee"), as agent for itself and the banks set forth in Schedule 1 to the Loan Agreement dated as of April 12, 1989, as at any time amended (herein collectively called the "Banks") as at any time amended, and unto the Assignee's successors' and assigns' own proper use and benefit, all right, title and interest of the Assignors

under, in and to (i) all insurances in respect of the Vessel, the Railcars and the Aircraft whether now or hereafter to be effected, and all renewals of or replacements for the same, (ii) all claims, returns of premium and other moneys and claims for moneys due and to become due under said insurances or in respect of said insurances, (iii) all other rights of the Assignors under or in respect of said insurances and (iv) any proceeds of any of the foregoing.

This Assignment grants to the Assignee a security interest in the assigned property as security for amounts due the Assignee under the Loan Agreement, the Secured Promissory Note and the Security Documents dated the date hereof, and all other moneys due and to become due from the Assignors to the Assignee whether under said Loan Agreement, the Secured Promissory Note, the Security Documents or otherwise and may be further assigned in connection with any assignment of said amounts by the Assignee.

It is expressly agreed that anything herein contained to the contrary notwithstanding, the Assignors shall remain liable under said insurances to perform all of the obligations assumed by them thereunder and the Assignee shall have no obligation or liability under said insurances by reason of or arising out of this instrument of assignment nor shall the Assignee be required or obligated in any manner to perform or fulfill any obligations of the

Assignors under or pursuant to said insurances or to make any payment or to make any inquiry as to the nature or sufficiency of any payment received by it or to present or file any claim, or to take any other action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled hereunder at any time or times.

The Assignors do hereby constitute the Assignee, its successors and assigns, the Assignors' true and lawful attorney, irrevocably, with full power (in the name of the Assignors or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all moneys and claims for moneys due and to become due under or arising out of said insurances, to endorse any checks or other instruments or orders in connection therewith and to file any claims or to take any action or institute any proceedings which the Assignee may deem to be necessary or advisable in the premises.

The Assignors hereby covenant and agree to ensure that notice of this Assignment shall be duly given to all underwriters and that where the consent of any underwriter is required pursuant to any of the insurances assigned hereby that it shall be obtained and evidence thereof shall be given to the Assignee, and that there shall be duly endorsed upon all slips, cover notes, policies, certificates of entry or other instruments issued or to be issued in

connection with the insurances assigned hereby such clauses as to named assured or loss payees as the Assignee may require or approve.

The powers and authority granted to the Assignee herein have been given for valuable consideration and are hereby declared to be irrevocable.

The Assignors agree that at any time and from time to time, upon the written request of the Assignee, the Assignors will promptly and duly execute and deliver any and all such further instruments and documents as the Assignee may deem desirable in the exercise of reasonable business judgment in obtaining the full benefits of this Assignment and of the rights and powers herein granted.

The Assignors do hereby warrant and represent that they have not assigned or pledged, and hereby covenant that, without the prior written consent thereto of the Assignee, so long as this instrument of Assignment shall remain in effect, they will not assign or pledge the whole or any part of the right, title and interest hereby assigned to anyone other than the Assignee, its successors or assigns, and they will not take or omit to take any action, the taking or omission of which might result in the alteration or impairment of said insurances, of this Assignment or of any of the rights created by said insurances or this Assignment.

All notices or other communications which are required to be made to the Assignee hereunder shall be made by telex, confirmed by postage prepaid letter to:

BERGEN BANK A/S
Kirkegaten 23
0153 Oslo 1
Norway
Attention: Loan Administration
Telex: 400640
Telecopy: 47-2-336901

and any consents, waivers, approvals or other actions to be given or taken by the Assignee hereunder shall be effective if contained in a writing signed by the Assignee or such other person or persons as the Assignee may from time to time appoint, and delivered to the Assignor.

The Assignors agree that the Assignee may execute and file any financing statements or papers of similar purpose or effect relating to this Agreement.

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IN WITNESS WHEREOF, the Assignors have caused this
Assignment to be duly executed as of the 12th day of April,
1989.

PLM INCOME ADVANTAGE FUND
(A California Limited Partnership)
By PLM FINANCIAL SERVICES, INC.,
General Partner

By: _____

Print Name: _____
Authorized Officer

DOROTHY M., LIMITED PARTNERSHIP
A California Limited Partnership
By: Dorothy M., Inc.
General Partner

By: _____
Authorized Officer

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION, not in its
individual capacity but solely
as Owner Trustee

By: _____
Title: _____

REPURCHASE GUARANTY

REPURCHASE GUARANTY, dated as of April 12, 1989 (the "Guaranty") by PLM International Inc., a corporation organized and in existence under the laws of the State of Delaware (the "Guarantor"), in favor of the Banks as defined below.

W I T N E S S E T H :

WHEREAS, pursuant to a Loan Agreement (the "Loan Agreement") dated as of April 12, 1989 among Bergen Bank A/S and the other banks set forth in Schedule 1 to the Loan Agreement (the "Banks"), Bergen Bank A/S as agent for the Banks (the "Agent"), PLM Income Advantage Fund ("PLM"), a California limited partnership, Dorothy M., Limited Partnership, a California limited partnership (the "Owner") and the First Security Bank of Utah, National Association, not in its individual capacity but solely as owner trustee under the Trust Agreement (the "Owner Trustee") as borrowers (the "Borrowers"), PLM Financial Services, Inc. as general partner of PLM (the "General Partner") and Dorothy M., Inc., as general partner of the Owner ("Owner's Partner") the Banks have agreed to make a loan to the Borrowers to refinance the acquisition of the Bahamian flag vessel DOROTHY M (the "Vessel") by the Owner, the acquisition of a Boeing 737-200 Advanced, bearing Manufacturer's Serial No. 22279, United States Registration No. N368DE (the "Aircraft") by the Owner Trustee and to refinance the acquisition of 450 railcars identified in Schedule 2 to the Loan Agreement (the "Railcars") (the Aircraft, the Vessel and the Railcars collectively, the "Equipment");

WHEREAS, it is a condition to the Banks' obligation to make the loan that the Guarantor shall have executed and delivered this Guaranty;

WHEREAS, the General Partner and the Owner's Partner are wholly owned subsidiaries of the Guarantor and the Aircraft is owned by the Owner Trustee for the beneficial ownership of PLM; and

WHEREAS, the Guarantor has determined that it is in its best interest to issue this Repurchase Guaranty;

NOW, THEREFORE, in consideration of the Banks' agreement to make a loan to the Borrowers as provided in the Loan Agreement, and in consideration of the benefits and advantages to be derived therefrom by the Guarantor, the receipt and sufficiency of which are hereby acknowledged, and to induce the Banks to enter into and perform their obligations under the Loan Agreement, the undersigned

HEREBY UNCONDITIONALLY AND IRREVOCABLY GUARANTEES to the Banks, in the event the Borrowers fail to make any payment on

an Interest Payment Date, on the Payment Date or upon the occurrence of an Event of Default as defined in the Loan Agreement after which the Banks have accelerated all of the indebtedness due under the Loan Agreement, (i) that it shall make full payment of principal, interest and all other amounts due under the terms of the Loan Agreement no later than ten days following the giving of written notice by the Agent demanding such payment (the "Exercise Date") by purchasing or arranging for the purchase of so much of the Equipment from the Borrowers for a purchase price equal to the unpaid indebtedness due and unpaid by Borrowers to the Banks on the Exercise Date (the "Purchase Price"), and (ii) to pay the Purchase Price directly to the Banks on the Exercise Date. In the event that the Guarantor shall be required to purchase or arrange for the purchase of less than all of the Equipment, the Agent shall choose which Piece or Pieces of Equipment shall be purchased by the Guarantor. For the purposes of determining the purchase price of each Piece of Equipment, the Guarantor and the Banks have agreed to the amounts set forth on Schedule 1 hereof.

The Guarantor waives any notice of the acceptance of this Guaranty and of all presentment, demand, protest, notice of dishonor or nonpayment with respect to any of the obligations of the Guarantor hereunder (hereinafter referred to as the "Obligations").

The Guarantor hereby agrees that this Guaranty will not be discharged by any reorganization, dissolution, merger or acquisition of any of the Borrowers, the General Partner, the Owner's Partner or the Guarantor or by any other alteration in the legal existence or structure of any of the Borrowers, the General Partner, the Owner's Partner or the Guarantor, or by any bankruptcy, insolvency or reorganization of any of the Borrowers, the General Partner, the Owner's Partner or the Guarantor.

The Guarantor consents that the Banks may, without notice to it and without affecting the Obligations, modify, amend or alter any terms of the Loan Agreement, the Secured Promissory Note or the Security Documents (collectively the "Fundamental Documents") or any security therefor, grant any extension or other indulgence with respect thereto, or omit to take, in the discretion of such holder, any action permitted under any of the Fundamental Documents or any other instrument relating to the Obligations and that the time for the making of any payment of any of the Borrower's obligations hereby guaranteed may be accelerated in accordance with the terms of any of the Fundamental Documents. The Guarantor hereby waives any obligation which any of the Banks may have under applicable law to mitigate damages or to give notice to the Guarantor of any

remedy which any of the Banks may elect under any of the Fundamental Documents.

The Guaranty is an absolute and unconditional guaranty of "payment, performance and compliance, not of collection", and the Banks shall not be required, prior to any demand on, or performance and payment by the Guarantor, to make any demand upon or pursue or exhaust any of their rights or remedies against any of the Borrowers, the General Partner, the Owner's Partner, any other guarantors or any other person or any other security or collateral held with respect to any of the Borrower's obligations under any of the Fundamental Documents, and the Guarantor shall not be released from its obligations hereunder by virtue of any failure or inability of all or any of the Borrowers to deliver title to, or possession of, any item of Equipment for any reason whatsoever. To the fullest extent permitted by law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty, and any legal or equitable discharge of or defense to its obligations hereunder and the benefit of any statute of limitations affecting its liability hereunder or the enforcement hereof.

The Obligations hereunder shall not be released, discharged or in any way affected by the invalidity or unenforceability of any of the Fundamental Documents or the unenforceability of the obligations of any of the Borrowers or any other person thereunder or under or under any of the instruments described therein.

The Guarantor further guarantees that all payments made by the Borrowers to any of the Banks in respect of the Obligations will, when made, be final and agrees that, if such payment is recovered from, or repaid by, any of the Banks in whole or in part, in any bankruptcy, insolvency or similar proceeding instituted by or against any of the Borrowers, the General Partner, the Owner's Partner, the Guarantor or any of their affiliates, this Guaranty shall continue to be fully applicable to such payment to the same extent as though the payment so recovered or repaid had never been originally made.

This Guaranty (1) shall continue in full force and effect and be binding upon the Guarantor, its successors and assigns until payment in full and performance of all of the Obligations; and (2) may be assigned by any of the Banks without consent of the Guarantor; provided Guarantor shall be given prompt written notice of such assignment.

Payment by the Guarantor hereunder shall be made in United States Dollars and in the same manner as payment is due by the Borrowers to the Agent under the terms of the Loan Agreement.

This Guaranty and all rights, obligations and liabilities arising hereunder shall be construed according to the laws of the State of New York.

The Guarantor irrevocably submits to the nonexclusive jurisdiction of the Supreme Court of the State of New York, New York County, New York, and to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of, or relating to, this Guaranty or any of the transactions contemplated hereby, and hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, that it is not personally subject to the jurisdiction of the above named courts for any reason whatsoever, that such suit, action or proceeding is brought in an inconvenient forum, or that the venue of such suit, action or proceeding is improper, or that this Guaranty or the subject matter hereof may not be enforced in or by such courts. The Guarantor hereby agrees that process against it may be served by delivery of service of process in any of the aforementioned actions, suits or proceedings by service upon CT Corporation System, 1633 Broadway, New York, New York 10019 and any successor thereto (such agent being hereinafter called the "Process Agent"), which, the Guarantor hereby irrevocably designates and appoints as its attorney-in-fact to receive service of process in any action, suit or proceeding with respect to any matter as to which it submits to jurisdiction as set forth above, it being agreed that service to such office or upon such attorney-in-fact shall constitute valid service upon the Guarantor or its successors or assigns. The Guarantor hereby directs the Process Agent to receive and accept such process on its behalf. The Guarantor shall promptly notify the Agent of any change in the address of its Process Agent and may, by notice given to the Agent change the identity of its Process Agent. The foregoing shall not preclude service of process in any other manner permitted by applicable law or prohibit any of the Banks from commencing legal proceedings against the Guarantor or any of its properties in any other jurisdiction.

The Guarantor hereby agrees that it shall not be subrogated, in whole or in part, to the rights of any of the Banks against any of the Borrowers or any other guarantor of the Obligations hereby guaranteed under any of the Fundamental Documents until all of the obligations of the Borrowers under any of the Fundamental Documents, and any other agreement between any of the Banks and the Borrowers, now existing or hereafter entered into, have been paid or performed in full.

The Guarantor hereby represents and warrants to the Banks (and such representations and warranties shall survive the execution hereof) that:

(a) it is a corporation duly organized and existing and in good standing under the laws of the State of Delaware, is qualified to do business in all jurisdictions where the conduct of its business so necessitates and has full power and authority to enter into and perform all of its obligations under this Guaranty;

(b) the entry into and performance of this Guaranty will not violate in any respects any law or regulation or any agreement to which it is a party or by which its assets are bound and will not violate in any respects its Articles of Incorporation or By-Laws;

(c) this Guaranty constitutes a legal, valid and binding obligation enforceable against it in accordance with its terms;

(d) other than as set forth in the Private Placement Memorandum referred to in Clause 6.01(q) of the Loan Agreement, no action, suit, proceeding, litigation or dispute against the Guarantor is presently taking place or pending or to its knowledge threatened; and

(e) all of the General Partner's and Owner's Partner's shares of capital stock have been duly authorized and validly issued and are fully paid and nonassessable; all of the General Partner's and Owner's Partner's capital stock is owned of record by the Guarantor free and clear of any encumbrance. No options, rights or warrants to acquire the capital stock of the General Partner or Owner's Partner or conversion or exchange privileges with respect to the capital stock of the General Partner or Owner's Partner are outstanding.

So long as the Guarantor has any obligation under this Guaranty or any amount remains unpaid or any obligation remains unsatisfied under the terms of any of the other Fundamental Documents, the Guarantor shall not, nor permit any of its Subsidiaries to:

(a) dissolve or liquidate. Neither Guarantor nor its Subsidiaries shall merge or consolidate with or into or become a partner or member of any other Person; convey, transfer, lease or otherwise dispose of its properties or assets if the effect of such merger, consolidation, conveyance, transfer, lease or disposal shall result in a

material adverse change in the financial or operating condition of the Guarantor or its Subsidiaries.

(b) enter into any transaction or agreement, including but not limited to any lease, purchase or sale of real property, purchase of goods or services, with any Affiliate, except on terms that are no less favorable to the Guarantor or the relevant Subsidiary than those that could have been obtained in a comparable transaction by the Guarantor or such subsidiary with an unrelated Person, provided that the Guarantor or any of its Subsidiaries may enter into transactions with each other in the ordinary course of their respective businesses.

(c) permit Consolidated Net Worth of the Guarantor and its consolidated Subsidiaries at any time to be less than Fifty Million Dollars (\$50,000,000).

(d) repay in whole or in part the principal balance of that certain subordinated loan made by Mutual Life Insurance Company to the Guarantor in the principal amount of \$23,000,000 for so long as any amounts remain unpaid or any obligations remain unsatisfied under the Fundamental Documents.

As used in this Guaranty, the following terms shall have the following meanings (such meanings to apply to both the singular and plural forms of the terms defined):

"Affiliate" means, with respect to any Person, any other Person controlling, controlled by or under common control with, such Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to vote fifteen percent (15%) or more of the securities having voting power for the election of directors of such Person, or otherwise to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise.

"Consolidated Net Worth" means, at a particular date, all amounts which would be included in shareholders' equity on a consolidated balance sheet of the Borrower and its Subsidiaries in accordance with GAAP as at such date.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and in the statements and pronouncements of the

Financial Accounting Standards Board, or in such other statements by such other entity as may be approved by a significant segment of the accounting profession for use in the United States.

"Person" means any individual, corporation, partnership, business trust, joint venture, association, joint stock company, trust or other unincorporated organization, whether or not a legal entity, or any government or agency or political subdivision thereof.

"Subsidiary" means, with respect to any Person, any corporation, association, partnership or other business entity of which a majority of the voting power entitled to vote in the election of directors, managers or trustees thereof is at the time owned, directly or indirectly, by such Person or by one or more other Subsidiaries, or by such Person and by one or more other Subsidiaries, or a combination thereof.

This Guaranty may not be changed or modified except by an instrument in writing signed by the Guarantor and the Agent.

Any notice, demand or other communication to be given under or for the purposes of this Guaranty shall be in writing (including telex) and shall be treated as properly served or given if hand-delivered or sent by first class prepaid mail (airmail if appropriate) or telex,

if to the Guarantor, to

PLM International Inc.
655 Montgomery Street
San Francisco, California
Attention: J. Herbert Gaul

Telex: 34430
Telecopy: (415) 433-9152

THE GUARANTOR AND THE BANKS HEREBY IRREVOCABLY WAIVE ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OF THE FUNDAMENTAL DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

PLM INTERNATIONAL INC.

By _____
Title:
Schedule 1

Aircraft	\$15,127,000
Vessel	\$11,250,000
Railcars	\$21,300 per railcar

SECURED PROMISSORY NOTE

U.S. \$32,737,000

New York, New York
April 14, 1989

FOR VALUE RECEIVED, PLM INCOME ADVANTAGE FUND, a California limited partnership ("PLM"), DOROTHY M., LIMITED PARTNERSHIP, a California limited partnership (the "Owner") and FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, not in its individual capacity but solely as owner trustee under the Trust Agreement, each hereby jointly and severally promise to pay to Bergen Bank A/S (the "Agent"), as agent for Bergen Bank A/S and the other banks set forth in Schedule 1 to the Loan Agreement (the "Banks"), or order, on or before July 24, 1989 (the "Payment Date") the principal amount of THIRTY TWO MILLION SEVEN HUNDRED THIRTY SEVEN THOUSAND UNITED STATES DOLLARS (USD \$32,737,000) (the "Loan"), as hereinafter provided, and to pay interest on the principal sum at the time of payment, as hereinafter provided.

DEFINITIONS

1.1 - The capitalized terms as used in this Secured Promissory Note and not defined herein shall have the meaning stated in the Loan Agreement dated as of April 12, 1989 between the Banks, PLM Financial Services, Inc.,

the general partner of PLM, Dorothy M., Inc., the general partner of the Owner and the undersigned.

PRINCIPAL AND INTEREST

2.1 - Each of the undersigned agree, jointly and severally, to pay interest on the Loan. Such interest shall be paid in arrears on the last Business Day of each Interest Period, upon prepayment of the Loan under Clause 4.02 and Clause 4.03 of the Loan Agreement and on the Payment Date (each such date an "Interest Payment Date"). Save as otherwise provided herein, such interest shall accrue from and including the Closing Date, at the rate per annum certified by the Agent to be the aggregate of (a) the Applicable Rate and (b) the rate determined by the Agent to be the rate at which the Agent is offering lendings in Dollars in an amount approximately equal to the principal amount of the Loan in the London Interbank Dollar Market at or about 11:00 a.m. (London time) on the second Business Day prior to the Closing Date and for delivery on the Closing Date for the first Interest Period, and thereafter, with respect to each successive Interest Period, at the rate per annum certified by the Agent to be the aggregate of (a) the Applicable Rate and (b) the rate determined by the Agent to be the rate at which the Agent is offering lendings in Dollars in an amount approximately equal to the principal

amount of the Loan in the London Interbank Dollar Market at or about 11:00 a.m. (London time) on the second Business Day prior to the beginning of the applicable Interest Period for periods comparable to such Interest Period.

In the event that the Agent does not receive on an Interest Payment Date or the Payment Date any sum due under this Secured Promissory Note in accordance with the provisions of Clause 10.01 of the Loan Agreement or under any of the Security Documents in accordance with the terms thereof, each of the undersigned shall pay to the Banks on demand interest on such sum from and including the relevant Interest Payment Date to the date of actual payment (as well after as before judgment) at the rate per annum determined by the Agent to be the aggregate of (a) three percent (3%) and (b) the rate offered by the Agent as set forth in 3.01(b) for such term as the Agent shall select on the Business Day immediately following such Interest Payment Date or the Payment Date, as the case may be.

2.2 - Save as otherwise provided in Clause 4.02 and Clause 4.03 of the Loan Agreement, the undersigned will repay the Loan to the Agent on behalf of the Banks on the Payment Date by paying the entire principal amount of the Loan of US \$32,737,000.

2.3 - Both principal and interest under this Secured Promissory Note and all other amounts payable to the Agent on behalf of the Banks shall be paid and shall be made in accordance with Section 10.01 of the Loan Agreement. In the event that any Piece of Equipment becomes a Total Loss, prepayment shall be made in accordance with Clause 4.02 of the Loan Agreement.

2.4 - Any prepayment of this Secured Promissory Note shall be applied in accordance with Clause 4.02 and Clause 4.03 of the Loan Agreement.

SECURITY

3.1 - This Secured Promissory Note is issued under and pursuant to the Loan Agreement and is secured by the Aircraft Mortgage and Lease Assignment, Railcar Mortgage, Charter Assignment, Assignment of Insurance, and Repurchase Guaranty each dated as of April 12, 1989 and a Ship Mortgage to be dated April 14, 1989 (collectively the "Security Documents"). Reference is hereby made to the Security Documents for a description of the collateral thereby mortgaged and assigned (the "Collateral"), the nature and extent of the first priority security interest afforded thereby and the rights of the undersigned and the Banks with respect to such security as provided in the Security

Documents. Payment of this Secured Promissory Note may be accelerated by the Banks prior to maturity of this Secured Promissory Note under certain circumstances and conditions, in the manner, and with the effect, provided in the Security Documents and in the Loan Agreement.

MISCELLANEOUS

4.1 All parties hereto, including guarantors and endorsers hereof, hereby waive presentment for payment, demand, protest and notice of protest and non-payment hereof and hereby consent that any and all Collateral, securities or other properties, if any, held by the Banks at any time as security for this Secured Promissory Note may be exchanged, released or surrendered and that the time for payment of this Secured Promissory Note may be extended, all in the sole discretion of the Banks and without notice to and without affecting in any manner the liability of the parties hereto.

4.2 No course of dealing between the undersigned or any guarantor and the Banks in exercising any rights hereunder shall operate as a waiver of any right of any holder hereof except to the extent expressly waived in writing by the Banks.

4.3 Whenever any payment to be made hereunder shall be made on a day which is not a Business Day, such payment shall be made in accordance with Clause 10.02 of the Loan Agreement.

4.4 Any notice to be given pursuant to this Secured Promissory Note shall be given in accordance with Clause 15.04 of the Loan Agreement.

4.5 This Secured Promissory Note shall be governed by the laws of the State of New York.

4.6 The undersigned consents and agrees that in the event of any dispute hereunder, suit may be brought against the undersigned in the Courts of New York or at any other place where the Collateral or other property owned by the undersigned may be found at the option of the Banks.

The undersigned further agrees that process in any such suit shall be deemed sufficiently served on the undersigned (without prejudice to any other lawful method of service) if served as provided by Clause 15.09 of the Loan Agreement. Final judgment against the undersigned (a certified or exemplified copy of which shall be conclusive evidence of the fact and of the amount of any indebtedness of the undersigned hereunder) in any such action or

proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

The Owner Trustee is executing this Secured Promissory Note not in its individual capacity, but solely as Trustee under the Trust Agreement. Accordingly, the undertakings of Owner Trustee hereunder are made for the purpose of binding only the Trust Estate created by the Trust Agreement, and not with the intention of binding the Owner Trustee personally, and any personal liability of the Owner Trustee hereunder is expressly waived by the Banks.

THE UNDERSIGNED AND THE BANKS HEREBY IRREVOCABLY WAIVE ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ENSUING OUT OF OR RELATING TO THIS SECURED PROMISSORY NOTE, THE LOAN AGREEMENT, THE SECURITY DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

(The remainder of this page is intentionally left blank).

IN WITNESS WHEREOF, each of the undersigned has caused this Secured Promissory Note to be duly executed the day and year first above written.

PLM INCOME ADVANTAGE FUND
A California Limited Partnership
By PLM FINANCIAL SERVICES, INC.,
GENERAL PARTNER

By: _____
Authorized Officer

DOROTHY M., LIMITED PARTNERSHIP
A California Limited Partnership
By: DOROTHY M., INC.
GENERAL PARTNER

By: _____
Authorized Officer

FIRST SECURITY BANK OF UTAH,
NATIONAL ASSOCIATION, not in its
individual capacity but solely as
Owner Trustee

By: _____
Title